THE TAMIL NADU BUDGET MANUAL

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CHAPTER I.

INTRODUCTORY.

This Manual contains rules framed by the Finance Department for the guidance of estimating officers and departments of the Secretariat in regard to the budget procedure in general and to the preparation and examination of the annual budget estimates and the subsequent control over expenditure in particular to ensure that it is kept within the authorised grants or appropriations.

2. *Annual Financial Statement.*—Under Article 202 of the Constitution of India, a statement of the estimated receipts and expenditure of the State for each financial year has to be laid before both the Houses of the Legislature. The estimates of expenditure show "Charged" and "Voted" items of expenditure separately and distinguish expenditure on revenue account from other expenditure. This statement is known as the "Annual Financial Statement" or "Budget".

3. (*a*) *Structure of Government Accounts.*—All receipts and disbursements of the State Government are shown in the Annual Financial Statement in three separate parts, namely :—

Part I—Consolidated Fund of Tamil Nadu.

Part II—Contingency Fund of Tamil Nadu.

Part III—Public Account of Tamil Nadu.

(*b*) *Consolidated Fund.*—Under Article 266 of the Constitution of India all revenues received by the State Government, all loans raised by that Government by the issue of treasury bills, loans or ways and means advances and all moneys received by that Government in repayment of loans form one consolidated fund called the "Consolidated Fund of Tamil Nadu". No moneys out of this Fund can be appropriated except in accordance with law and for the purposes and in the manner provided in the Constitution.

(*c*) *Contingency Fund.*—Under Article 267 (2) of the Constitution of India, the State Legislature has established a Contingency Fund in the nature of an imprest created by a non-recurring contribution of Rs. 30 crores from the Consolidated Fund of the State. The Contingency Fund is intended to provide advances to the Executive Government

to meet unforeseen expenditure arising in the course of a year pending its authorisation by the Legislature by law. The amounts are paid back to the Fund after the Legislature approves what are called "The Supplementary Demands ".

(*See* The Tamil Nadu Contingency Fund Act, 1954 as amended and the rule framed thereunder in Appendix G.)

(*d*) *Public Account.*—Receipts and disbursements, such as deposits, reserve funds, remittances, etc., which do not form part of the "Consolidated Fund " are included in the Public Account of the State. Disbursements from the Public Account are not subject to the vote by the Legislature as they are not moneys issued out of the " Consolidated Fund ".

4. *Division of the Consolidated Fund.*—The main divisions of the Consolidated Fund are :

(i) Revenue Account.

(ii) Capital Account.

(iii) Debt (comprising Debt and Loans and Advances).

Revenue Account is the account of (*a*) the current income and expenditure of the State derived mainly from taxes and duties, fees for services rendered, fines and penalties, revenue from Government estates such as forests and other miscellaneous items and (*b*) the expenditure met from that income. The difference between such income and expenditure represents the revenue surplus or deficit as the case may be for that year.

Capital Account is the account of expenditure incurred with the object of increasing concrete assets of a material character and which are more or less of permanent value as in the case of buildings, etc. It also includes receipts arising generally from sale of concrete assets intended to be applied as a set off to capital expenditure. Expenditure on capital account is usually met from sources other than current revenues, e.g., borrowed funds or accumulated cash balances. Expenditure on assets which do not vest in Government is not treated as capital expenditure. The practice of initial capitalisation and subsequent write back of certain items of expenditure like commuted value of pensions, grants for development, etc., adds to avoidable accounting adjustments and budgetary provisions year after year and has, therefore, been discontinued from 1974-75.

Note.—The decision whether expenditure shall be met from current revenues or from borrowed funds rests with the Executive-*cum*-the Legislature.

Note 2.—Capital expenditure may be broadly defined as expenditure incurred with the object of either increasing concrete assets of material and permanent character. It is, however, not essential that the concrete assets should be productive in character or even revenue producing.

Note 3.—After it has been decided to incur expenditure for the creation of a new or additional asset, the classification of expenditure between "capital" and "Revenue" is made as follows :—

(*a*) Capital bears all charges for the first construction of a project as well as charges for intermediate maintenance of the work while not opened for service and bears also charges for such further additions and improvements as may be sanctioned under the rules made by competent authority.

(*b*) Revenue bears all subsequent charges for maintenance and all workings expenses. These include all expenditure on the working and upkeep of the project and also on such renewal, replacements and such additions, improvements or extensions as under rules made by competent authority are debitable to the Revenue Account.

Public Debt.—This division comprises loans raised by Government such as market loans, loans from the Life Insurance Corporation of India, etc., and the Borrowings from the Central Government. The Sector " E. Public Debt " will have two major heads, i.e., "603. Internal Debt of the State Government " and " 604. Loans and Advances from the Central Government ". Transactions connected with these are recorded both on the receipt and disbursement sides.

Loans and Advances.—This division comprises loans and advance made by Government and also recoveries thereof. The Sector "F. Loans and Advances " will have pattern of classification as for capital expenditure. Transactions connected with these are recorded both on the receipt and disbursement sides.

5. *Sectors and Heads of Accounts*—(*a*) *Six-tier classification.*—For purposeful review of the Government operations and appreciation of resource allocation at the national level and for providing a link between budget outlays on the one hand and functions, programmes and schemes on the other hand, at the same time ensuring itemwise control of expenditure, a five-tier classification structure which incorporates the following has been introduced under the revised classification effective from 1st April 1974 :—

(I) Sectors (comprising sub-sectors where necessary) to indicate the grouping of the services or governmental functions broadly.

(i) General services (Defence, Police, General Administration) ;

(ii) Social and Community Services (of the development functions like Education, Public Health and so on) ;

(iii) Economic Services (functions relating to Agriculture, Industry, Power, etc.).

Note.—In accounts there will be one more sector viz., " D. Grants-in-aid and contributions ".

(II) Major heads (comprising sub-major heads wherever necessary) to indicate the functions of Government, such as Agriculture, Education, Police, etc.

(III) Minor heads to denote the various programmes under each function or major head.

(IV) Sub-heads to denote the schemes for development expenditure or organisations for non-development expenditure under each programme minor head.

(V) Detailed heads to indicate the specific objects of expenditure such as salaries, travel expenses, etc.

While in the revised matrix only five tiers have been adopted by many States, a sixth tier of classification, viz., sub-detailed head of account has been added by this State to indicate the break-up details under the detailed heads, wherever necessary, in the Budget estimates from 1974–75 onwards.

The following is an example of six-tier classification in the budget and accounts with reference to a plan scheme—

PART I—CONSOLIDATED FUND.

First Tier ..	Sector	Social and Community Services.
Second Tier ..	Major Head	277. Education.
	Sub-major Head ..	A. Primary.
Third Tier ..	Minor Head	AA. Government Primary Schools.
Fourth Tier ..	Group sub-head ..	Schemes in the Fifth Five-Year Plan.
		II. State Plan.
	Sub-head	JB. Additional enrolment of pupils of the age-group 11—14.
Fifth Tier ..	Detailed head ..	01. Salaries.
Sixth Tier ..	Sub-detailed head ..	(1) Pay.
		(2) Dearness Allowance.
		(3) Medical Charges.
		(4) Other Allowances.
		(5) Additional Dearness Allowance.

The details of classification in each tier are given below :—

(*b*) *Sectoral classification.—Revenue/Capital/Loan/Plan/Non-Plan.*

The following sectoral classification is adopted for accounts as well as for plan purposes to group the services or Governmental functions:—

A. *General Services—*

(*a*) Organs of State .. .. (*b*) Fiscal Services.. .. .. (*c*) Interest payments, Dividend and profits. (*d*) Administrative Services .. (*e*) Pensions and Miscellaneous General Services. (*f*) Defence Services	Services which are indispensable to the existence of an organised State such as Defence, Police, external affairs and tax collection.

B. *Social and Community Services.* Basic Social Services for individuals or groups of individuals such as medical, education, housing, labour and employment.

C. *Economic Services—*

(*a*) General Economic Services. (*b*) Agriculture and Allied Services. (*c*) Industry and Minerals .. (*d*) Water and Power Development. (*e*) Transport and Communications. (*f*) Railways .. .. .. (*g*) Posts and Telegraphs ..	Services in the fields of regulation, production and distribution to help economic growth such as agriculture, industry, power and transport.

D. *Grants-in-aid and Contributions.* Transfer of resources from Centre to Foreign Governments, Centre to States and Compensation and Assignments to Local Bodies and Panchayati Raj Institutions.

(*c*) *Major Heads.*—Within the revenue and capital division mentioned in paragraph 4 above, the transactions are grouped into sectors which are further sub-divided into sub-sectors and major heads of account. The major heads normally indicate within each sector/sub-sector the broad functions of a particular department of Government. In the old classification, the major heads in the revenue and capital divisions were numbered serially, Roman numbers being employed on the Receipts side and Arabic numbers on the disbursement side. There was no numbering for debt, loans, deposit and remittance heads. In the revised structure of accounts which has come into effect from 1st April 1974, code numbers for all the major heads in the Consolidated Fund, Contingency Fund and the Public Account have been given. These codes are three digit arabic number codes. The codification pattern has been evolved in such a manner that the first digit indicates whether the major head falls in the receipts section or the expenditure section in revenue account or expenditure section in the capital account or loans and advances and Public Debt or Public Account sections. The last two digits will be the same for the corresponding major heads in the revenue receipts section, revenue expenditure section, capital expenditure section and the loans and advances section. The receipt major heads are assigned the block 020 to 199, expenditure major heads on revenue account from 211 to 399, expenditure major heads on capital account from 411 to 599, major heads under Public debt from 601 to 610 and those under loans and advances, inter-State settlement and transfer to contingency fund from 611 to 799 and the major heads in the Public account from 801 to 899. For example the major heads " Medical " in the sector "Social and Community Services " and " Agriculture " in the sub-sector " Agriculture and Allied Services " will have the following codes :—

Receipt Major Heads.	*Expenditure Major Heads.*	*Capital Major Heads.*	*Loan Major Heads.*
(1)	(2)	(3)	(4)
080 Medical ..	280 Medical ..	480 Capital Outlay on Medical.	680 Loans for Medical.
105 Agriculture.	305 Agriculture.	505 Capital Outlay on Agriculture.	705 Loans for Agriculture.

In the Loan section Major heads have been opened with reference to functions and purposes instead of the beneficiaries.

(*d*) *Sub-Major heads.*—The major heads are subdivided in some cases into sub-major heads. Sub-major heads are opened under a major head to record those transactions which are of a distinct nature

and are of sufficient importance to be recorded exclusively, but at the same time allied to the function of the major head. The Head of Account relating to each such sub-division is termed as "Sub-Major head" and the Budget Code is a capital alphabet, e.g., under the major head "277. Education" the sub-major heads are :

A. Primary.

B. Secondary.

C. Special Education, etc.

Note.—Where there is no Sub-major head, the alphabet 'A' will be used as a dummy, treating the major head, as a sub-major head.

(e) *Minor heads.*—The Major and sub-major heads are sub-divided into minor heads. The minor heads correspond to programmes or broad groups of programmes. It is output-oriented rather than organisation or input-oriented. This Classification has facilitated performance budgeting. Classification up to this level, i.e., Sector/Sub-sector, Major/Sub-major head, Minor head is prescribed by the Comptroller and Auditor-General and is common to Central and State Governments. The budget code for the minor head is a two-digit capital alphabets e.g., under '277. Education, A. Primary', the minor heads are :—

AA. Direction and Administration.

AB. Inspection.

AC. Government Primary Schools, etc.

These minor heads are divided into groups of sub-heads called group sub-heads. Group sub-heads are as under :—

I. Non-Plan.

II. State Plan.

III. Centrally-Sponsored.

IV. Central Sector.

V. Schemes financed by Autonomous Bodies.

(f) *Sub-heads.*—Under the Group sub-heads, will figure sub-heads which indicate schemes and occasionally the administrative set up

in the case of non-plan expenditure. The Budget Code is a two-digit capital alphabet as shown below :—

	Budget Code.	*Blocks of Alphabet Code.*
Non-Plan	I	AA to IZ
State Plan	II	JA to RZ
Centrally-Sponsored	III	SA to WZ
Central Sector	IV	XA to YZ
Schemes financed by Autonomous Bodies	V	ZA to ZZ

(g) *Detailed head.*—Sub-heads are further divided into detailed heads. The detailed heads denote specific objects of expenditure like salaries, machinery and equipment. The budget code for a detailed head is a two-digit numeric.

The following are the 26 standard detailed heads. These standard detailed heads record the various items of expenditure normally common to all departments :

Code number.	*Description.*
1	Salaries.
2	Wages.
3	Travel Expenses.
4	Office Expenses.
5	Payments for Professional and Special Services.
6	Rents, Rates and Taxes/Royalty.
7	Publications.
8	Advertising, Sales and Publicity Expenses.
9	Grants-in-aid Contributions/Subsidies.
10	Scholarships and Stipends.
11	Hospitality Expenses/Sumptuary Allowances, etc.
12	Secret Service Expenditure.
13	Major Works.
14	Minor works.
15	Machinery and Equipment/Tools and Plant.

Code number.	*Description.*
16	Motor Vehicles.
17	Maintenance.
18	Investments/Loans.
19	Materials and Supplies.
20	Interest/Dividend.
21	Pensions/Gratuities.
22	Depreciation.
23	Inter-Account Transfers.
24	Writes-off/Losses.
25	Suspense.
26	Other charges.

In addition to the above 26 standard detailed heads, the following additional non-standard detailed heads have been opened to meet the special requirements of certain departments :—

Code number.	*Non-Standard Detailed Heads.*
27	Clothing and Equipment.
28	Medicines.
29	Dietary Charges.
30	Hospital Accessories.
31	Working Expenses.
32	Supervision Charges.
33	Linen.
34	Arms and Ammunitions.
35	Feeding Charges.
36	Cattle Feed.

Code number.	Non-Standard Detailed Heads.
37	*Deduct*—Receipt and Recoveries on Capital Account.
38	Miscellaneous.
39	Water Courses.
40	Earth Work.
41	Preliminaries.
42	Land.
43	Bridges.
44	Plantation
45	Inter-State Gauges
46	Works.
47	Falls and Weirs
48	Cross Drainage Works
49	Regulator
50	Escape
51	Buildings
52	Withdrawals
53	Spillway
54	Tanks.
55	Drops
56	Original Works
57	Extension and Improvements

The standard objects of expenditure classification prescribed by the Comptroller and Auditor-General cover all the common types of expenditure incurred by various Departments and a few additional detailed heads have been opened to record certain specific items peculiar to certain departments.

(*h*) *Sub-detailed heads*.—The detailed heads are further divided into sub-detailed heads which are the lowest units of classification of accounts. They denote the break-up of detailed heads of account or

object classification, wherever necessary for progress of control. The Budget code employed is One digit Roman Numeral Examples are given below :—

Detailed heads.	*Sub-detailed heads.*
01. Salaries	(1) Pay.
	(2) Dearness Allowance.
	(3) Medical Charges.
	(4) Other Allowances.
	(5) Additional Dearness Allowance.
04. Office Expenses ..	(1) Telephone Charges.
	(2) Other Contingencies.
15. Machinery and Equipment/Tools and Plant.	(1) Purchase.
	(3) Maintenance.
16. Motor Vehicles ..	(1) Purchase.
	(3) Maintenance.
	(4) Cost of Fuel.

As this level of classification was not originally contemplated by the Comptroller and Auditor-General of India, the Accountant- General will not keep accounts to this level except in the case of the detailed head —Salaries. However, Heads of Departments/Treasuries/Government Data Centre will keep the break-up under all sub-detailed heads for the purpose of budgeting and reference.

(i) The introduction of any new Major or Minor head or abolition or change of nomenclature of any of the existing Major or Minor heads requires the prior approval of the Comptroller and Auditor-General of India. The Government can order the introduction of any new sub-head wherever necessary, subject to the approval of the Comptroller and Auditor-General of India. The Government have delegated the powers of opening the standard detailed heads to the Heads of Departments. However non-standard detailed heads are opened under any sub-head only by the Government with the authorisation of thecomptroller and Auditor-General The Government may also open sub-detailed heads, wherever necessary. Orders opening sub-head, detailed head and the sub-detailed heads will be issued in Finance (Budget-General) Department. [Based on these orders, the Accountant-General will authorise the opening of the heads (in the case of sub-heads) and the Government Data Centre will assign Data Processing Code numbers.]

A list of authorised Major and Minor heads is given in Appendix B.

6. *Divisions of Public Account.*—The major items in the Public Account are grouped under the following sectors, namely :—

(I) Small Savings, Provident Funds, etc.

(J) Reserve Funds.

(K) Deposits and Advances.

(L) Suspense and Miscellaneous.

(M) Remittances.

(N) Cash Balance.

The first three sectors comprise receipts and payments (other than those falling under Debt heads pertaining to the Consolidated Fund) in respect of which Government act as a banker receiving amounts which they afterwards repay and paying out amounts which they subsequently recover. The fourth and the fifth sectors comprise merely adjusting heads under which appear remittances of cash between Treasuries and transfers between different accounting circles in the Public Works Department/Highways. The initial debits or credits to the heads in these sectors are cleared eventually by either transfer to the final heads of account or by corresponding receipts or payments either within the same circle of account or in another account circle.

7. *Charged Expenditure.*—Article 202 (2) of the Constitution of India requires that the estimates of expenditure embodied in the Annual Financial Statement should show separately the sums required to meet expenditure described by the Constitution as expenditure charged upon the Consolidated Fund of the State. The estimates of charged expenditure are the first charge on the Consolidated Fund and shall not be submitted to the Vote of the Legislative Assembly but this will not prevent the discussion in the Legislature of any of those estimates. It is usual to print figures and details relating to charged expenditure in italics in the Budget documents.

A detailed list of the items of expenditure which are charged on the Consolidated Fund of the State is given in Appendix F.

8. *Preparation of the Budget Estimates and their transmission to the Finance Department.*—Under the rules made by the Governor for the convenient transaction of the business of the State Government and the instructions issued thereunder, Finance Department is responsible for the preparation of the annual Budget. The Budget is prepared on the basis of the material furnished by the departmental

officers and the administrative departments of the Secretariat. The Heads of Departments and other estimating officers prepare the estimates for each head of account with which they are concerned and forward them to the Finance Department and to the Government Data Centre and also to the appropriate departments of the Secretariat by the prescribed dates. The administrative departments of Secretariat scrutinize the estimates and make available their comments on these to the Finance Department which then examines the estimates. Estimates under certain heads are furnished by the administrative departments of the Secretariat and the Accountant-General. A statement showing the names of the estimating officer, administrative department of Secretariat concerned and due dates for submission is given in Appendix C.

9. *Proposals for new expenditure.*—The estimates referred to in paragraph 8 take cognizance only of what are called 'standing sanctions' i.e., all revenues based on existing laws, rules and orders and all expenditure incurred by virtue of existing rules and orders. Proposals which involve a reduction or an increase in revenue otherwise than in pursuance of authorised Codes, Manuals and Rules and proposals for 'new expenditure' (*See* Chapter IV) should be submitted to Government from time to time as they arise and they should not be taken into account in preparing the departmental estimates. Separate estimates for proposals for the abandonment of existing revenue and for schemes of, new expenditure arranged in the order of urgency should, however, be sent so as to reach the administrative department of the Secretariat by the 1st October of each year. These proposals are examined by the respective administrative departments and subsequently by the Finance Department and are then placed before the Council of Ministers, for decision as to which of the proposals should be provided for in the Budget with reference to the resources available and the comparative urgency of the proposals.

10. *Presentation of the Budget statements to the Legislature.*—The Finance Department then consolidates the estimates embodying the decision of the Council of Ministers and prepares—

(*a*) the summary statement of receipts and disbursements ;

(*b*) the detailed estimates of receipts; and

(*c*) the statement of the demands for grants followed by detailed estimates.

These statements include both expenditure charged on the Consolidated Fund of the State and expenditure not so charged. A Budget Memorandum explaining the figures in/these statements is also prepared

by the Finance Department. All these documents are presented under Article 202 of the Constitution of India to both the Houses of the Legislature by the Minister in-charge of Finance by about the end of February or early in March each year.

11. *Discussion and Voting by the Legislature.*—Both the House of Legislature are at liberty to discuss the Budget including the expenditure charged on the Consolidated Fund, but with reference to Article 203 (1) of the Constitution, estimates of expenditure charged on the Consolidated Fund are not submitted to the Vote of the Legislative Assembly. Only the Legislative Assembly is empowered to vote on the Budget. Estimates of expenditure which are not charged on the consolidated Fund are submitted to the Assembly in the form of Demands for Grants. The Demand will be for the gross expenditure without taking into account the recoveries taken as reduction of expenditure. There should ordinarily be a Demand for Grants for each major head; but in some cases, two or more demands may be proposed for a major head while in others, two or more major heads of parts of major heads may be included in a single demand. The Legislative Assembly may assent to or refuse to assent to any Demand or assent to a Demand subject to a reduction of the amount specified therein.

12. *Appropriation Act.*— After the Demands for Grants have been voted by the Legislative Assembly, a Bill to provide for the appropriation out of the Consolidated Fund of the State of all moneys required to meet the voted as well as the charged expenditure is introduced in the Legislative Assembly on the recommendation of the Governor. No amendment shall be proposed to any such Bill in either House of the Legislature which will have the effect of varying the amount or altering the destination of any Grant so made or varying the amount of any expenditure charged on the Consolidated Fund. When this Bill is passed by both the Houses of the Legislature and it has also received the assent of the Governor, the amount shown therein can be expended during the financial year concerned.

13. *Other Estimates.*— Occasions may arise for approaching the Legislature with proposals for Votes on Account, Votes of Credit and Exceptional grants besides supplementary or additional or excess grants. These are dealt with in Chapters II and IX.

14. *Authorization of expenditure.*— Except where the expenditure is covered by standing sanctions or necessary powers have been delegated with the concurrence of the Finance Department to the administrative departments of Secretariat, Heads of Departments and subordinate authorities in this behalf, provision of funds in the Budget by itself conveys no sanction to the subordinate authorities to incur expenditure

The following conditions must be satisfied before the public money is spent:—

(i) The expenditure should be sanctioned by the authority competent to sanction such expenditure (in the case of works expenditure incurred by the Public Works Department this sanction means administrative approval as well as technical sanction).

(ii) Sufficient funds should have been provided for the expenditure in the Appropriation Act or by reappropriation by the authority competent to sanction reappropriation (*See* Chapter IX).

(iii) No breach of the standards of financial propriety which are mentioned below, should be involved ;

(*a*) The expenditure should not be *prima facie* more than the occasion demands. Every Government servant should exercise the same vigilance and care in respect of expenditure from public money under his control as a person of ordinary prudence would exercise in respect of expenditure of his own money.

(*b*) Public money should not be utilised for the benefit of a particular person or section of the community unless—

(i) the amount of expenditure involved is insignificant ; or

(ii) a claim for the amount can be enforced in a court of law ; or

(iii) the expenditure is in pursuance of a recognised policy or custom.

(*c*) No authority should exercise the power of sanctioning the expenditure to pass an order directly or indirectly to its own advantage.

(*d*) The amount of allowance, such as travelling allowances granted to meet expenditure of a particular type should be so regulated that the allowances are not on the whole sources of profit to the recipients.

15. *Committee on Public Accounts.*— The Appropriation Act has the effect of determining the objects on which money may be spent from the Consolidated Fund of the State and the amount which can be spent on each object. The amount of expenditure which can be incurred is thus strictly controlled by the Legislature. The extent to which the wishes of the Legislature as expressed by the demands voted

by the Legislative Assembly, are actually complied with is investigated and brought to the notice of the Legislative Assembly by the Committee on Public Accounts (for the constitution and function of the Committee, *see* Chapter XIV).

16. *Central Government's Estimates.*—The instructions contained in this Manual relate to the State Budget. The State Government have also to prepare the Budget Estimates for certain Central subjects administrated by them as Agent for the Central Government, e.g., National Highways. The instructions issued by the Central Government for the preparation of these estimates are summarised generally in Chapter XV.

CHAPTER II.

DEFINITIONS.

17. Unless there is anything repugnant in the subject or context, the terms defined in this chapter are used in the Manual in the sense here explained. Words and phrases used in the Manual which are defined in the Constitution of India or in the rules and orders framed under the Constitution bear the meanings assigned to them in those definitions :—

(1) *Accounts or actuals of a year* are the amounts of receipts and disbursements for the financial year beginning on April 1st and ending on March 31st following, as finally recorded in the Accountant-Generals books.

(2) *Administration approval of a scheme, proposal or work* is the formal acceptance thereof by the competent authority for the purpose of incurring expenditure thereon as and when funds permit.

(3) *Annual Financial Statement or Budget* means the statement of the estimated receipts and expenditure of the State for each financial year to be laid before both the Houses of the Legislature (*See* also paragraph 2 of Chapter I).

(4) *Appropriation* means the amount authorised by the Legislature for expenditure under a major or minor head or sub-head or detailed head or part of that amount placed at the disposal of a disbursing officer. (The word is also used in connection with the provision made in respect of charged expenditure.)

(5) *Appropriation Accounts* are the accounts prepared by the Comptroller and Auditor-General of India for each grant or appropriation in which is indicated the amount of the grant/appropriation sanctioned and the amount spent under the grant/appropriation as a whole. Important variations in the expenditure and allotments under different group heads (Voted and Charged) are explained therein with the comments of audit—*See* also Chapter XII.

(6) *Appropriation Act—See* paragraph 12 of Chapter I.

(7) (*a*) *Budget, Basic Concept.*—A Budget is a pre-determined plan, a financial and/or quantitative statement prepared prior to a defined period of time of the policy to be pursued during that period for the purpose of attaining a given objective.

The definition covers the following essentials—

(i) Period of preparation.

(ii) Budget period.

(iii) The objectives to be attained.

(iv) Budget statements.

(v) The policy to be pursued.

(*b*) *Budget of an organisation or a business.*—It is a well conceived plan intended to help in increasing production and efficiency at a reduced cost with a view to optimising profits.

(*c*) *Budget of the State Government.*— It is the statement of the estimated receipts and expenditure of the State as per policy of the Government, for each financial year to be laid before both the Houses of the Legislature.

(*d*) *Relationship between Budget and Ways and Means.*— The budget gives the estimates of receipts and disbursements for a whole financial year under various heads of accounts mentioned therein. Transactions throughout the year are not uniform,nor might the receipts and expenditure in a month or upto a period be proportional strictly to the budgeted figure for the whole year. The function of the ways and means wing is to keep a close watch over the daily cash balance of the State with the Reserve Bank of India, review the receipts and disbursements for each month under the major heads of receipts and expenditure and to initiate corrective measures not only to see that the need, if any, for taking temporary advances from the Reserve Bank of India to bridge the gap between inflow and outflow of cash, is kept below the maximum limit fixed by the bank for such advances but also to see that the progress of receipt and expenditure under various heads of account from month to month is kept at a level which would ensure that the receipts and expenditure for that year as a whole is more or less close to the assumptions made in the budget.

(*e*) *Budget control.*—The authroity administering a grant is responsible for watching the progress of expenditure under its control and for keeping it within the sanctioned grant or appropriation. To facilitate control, departmental accounts are maintained by the Chief Controlling Officers and the progressive actuals month by month are reconciled with those entered in the books of the Accountant-General — *See* also section II of Chapter VIII.

(f) *Budget Deficit.*—The short fall of receipts when compared to the expenditure in the three accounts of the state viz. Consolidated Fund, Contingency Fund and the Public Account taken together is known as budget deficit.

(g) *Budget Estimates* are the detailed estimates of the receipt and disbursement of a financial year.

(h) *Budget Surplus.*—The excess of receipts over expenditure in the three accounts of the state, viz., Consolidated Fund, Contingency Fund and the Public Account taken together is known as Budget surplus.

(i) *Budget year* means the financial year commencing on the 1st of April and ending on the 31st of March following for which the Budget is prepared.

(j) *Existing Modified Appropriation* represents the Budget Estimate of the current year plus the supplementary estimates voted by the Legislature.

(k) *Final Modified Appropriation* means the sums allotted to any unit of appropriation as it stands at the end of the financial year, i.e., 31st March, after it has been modified by reappropriation or by supplementary or additional grant or grants sanctioned by competent authority.

(l) *Revised Estimate* is an estimate of the probable receipts or expenditure for a financial year, framed in the course of that year with reference to the transactions already recorded and anticipations for the reminder of the year in the light of the orders already issued or contemplated to be issued or any other relevant facts. Revised Estimate is not appropriation—*See* also section III of Chapter III.

(m) *Capital Expenditure budget*—The budget showing the expenditure proposed to be made on fixed assets during the period concerned.

(n) *Commercial Budget* is the statement of accounts of commercial undertaking which are subordinate to legislative control and are owned, run and managed by the Government like Cinchona and Agricultural Engineering Workshop. It shows the Trading Account, Profit and Loss account and the Balance Sheet of the Government Commercial undertakings and are used to determine the profit or the loss of the Commercial departments. The core of commercial budgeting consists of the laying down of the physical targets of operations which would result in the optimum utilisation of resources.

(o) *Performance Budget* is a comprehensive operational document, conceived, presented and implemented in terms of programmes, projects and activities with their financial and physical aspects closely interwoven. Performance budget seeks to present the purposes and objectives for which funds are requested, the cost of various programmes and activities proposed for achieving these objectives and quantitative data measuring the work performed or services rendered or results accomplished under each programme and activity—*See* also Chapter XVI.

(8) (*a*) *Capital Account*—*See* paragraph 4 of Chapter I.

(*b*) *Working Capital.*—The amont available for day-to-day expenses of running the business; the difference between current assets and current liabilities.

(*c*) *Paid up Capital.*—The amount paid up or credited as paid up on the shares issued.

(*d*) *Authorised Capital.*—The total amount of cpaital which a Company is empowered to raise as stated in its Memorandum of Association.

(9) *Cash Credit accommodation.*—This is a facility offered by the Commercial banks for Industries and Trades. Under this scheme the maximum that could be borrowed by an Industry or a trade is fixed and within such a ceiling the client can borrow money by hypothecating the fixed or movable assets held by him. When the value of the assets decreases, repayments will have to be made to the banks and when it increases additional loans without exceeding the ceiling can be obtained.

The State Government resorts to such cash credit accommodation for financing its fertiliser distribution scheme.

(10) *Cash Flow.*—All cash movements, that is, all cash receipts and payments during a specified period. This is usually prepared as a monthwise "Ways and Means" Statement.

(11) *Charged appropriation* means the sum required to meet charged expenditure as specified in the schedule to an Act passed under Article 204 of the Constitution during the financial year concerned, on the service and purposes covered by that "Charged Appropriation". It does not include provision for voted expenditure.

(12) *Charged expenditure or expenditure charged on the Consolidated Fund* means such expenditure as is not to be submitted to the Vote of the Legislative Assembly under the provisions of the Constitution. Sums relating to 'Charged' expenditure are usually printed in italics in the Detailed Estimates and Grants—*See* also paragraph 7 of Chapter I.

A list of items the expenditure on which is charged on the Consolidated Fund of the State is given in Appendix F.

(13) *Charges in England—See* section IV of Chapter III.

(14) *Consolidated Fund of Tamil Nadu—See* paragraph 3 of Chapter I.

(15) *Constitution* means the Constitution of India.

(16) *Contingency Fund—See* paragraph 3 of Chapter I.

(17) *Controlling Officer*—means the authority made responsible for the control of expenditure for any head of account. A list of Chief Controlling Officers and Subordinate Controlling Officers is given in Appendix D.

(18) *Cost benefit analysis*—Costs and benefits, social and private diverge. Market behaviour can result in socially detrimental by-products, the cost of which must be met outside the market. The cost benefit notion has been rediscovered in recent years and a considerable effort has been made in economic planning to assess social costs.

(19) *Current assets.*—Cash or its equivalent and other assets which in the ordinary course of business will be converted into cash, e.g., accounts receivable.

(20) *Current liabilities.*—Those which must be met within a relatively short period, usullay within one year from the date of the balance sheet. Trade creditors, bills payable, bank overdrafts, taxes payable are some of the examples of such liabilities.

(21) *Government Data Centre.*—Deals with system-analysis techniques, coding and programming techniques for the proper maintenance of the accounts of Government.

(22) *Debenture.*—An instrument under seal issued by a company as evidence of debt or as security for a loan bearing a fixed rate of interest and providing for repayment on or before a certain fixed date, or with no fixed date for redemption, It may be secured or unsecured, redeemable or irredeemable.

(23) *Decretal amount—See* paragraph 47-A of Chapter III.

(24) *Demand for grant* is a proposal made on the recommendation of the Governor, for the appropriation of funds for expenditure to be met from the Consolidated Fund of the State other than that charged. Each demand for grant contains first a statement of the total amount required, followed with details arranged by major heads, minor heads, sub-heads and detailed heads, etc.

(25) *Departmental Estimate* is an estimate of income and ordinary expenditure of a department in respect of any year submitted to the Government by a head of department or other estimating officer

(26) *Deposit*.—A sum placed usually at interest and capable of being withdrawn either on demand or only after the expiry of the agreed term.

(27) *Depreciation*.—(i) A reduction in the value of fixed assets due to such causes as wear and tear, action of the elements, obsolescence, etc.

(ii) An annual charge equal to the value of a fixed asset which is expected to lapse each year due to such causes as wear and tear, obsolescence, etc.

(iii) The accounting process for the gradual conversion of a fixed asset into expense, whereby the cost of the asset is spread over its expected useful life.

(28) *Detailed head*.—Is the primary unit of appropriation. It exhibits expenditure under basic items like salaries, machinery and equipment. There are 26 standard detailed heads with reference to the nature of expenditure—*See* paragraph 5 (*g*) of Chapter I.

(29) *Disbursing Officer*.—Every Government servant who draws money for disbursement on bills from the treasury is a Disbursing Officer, but a gazetted Government servant who is not the head of an office and who draws only his own pay and allowances from the treasury is not included in this term.

(30) *Discount*.—(i) A deduction from the price of goods allowed by a seller, e.g., trade discount, cash discount.

(ii) When the price of a share or stock is below nominal value it is at a discount.

(iii) The difference between the value of a bill of exchange at maturity and its present value.

(iv) To give or receive value (after deduction of discount) of a bill of exchange before it is due.

(31) *Discounted cash flow*.—Refers to the present value of future cash receipts and cash payments, i.e., their value computed by taking into account a particular discount rate in transactions phased over a period of time.

(32) *Economic Planning* refers to an attempt to plan economic activity and anticipate the results. However, the term is usually used to refer to the governmental direction of economic operations.

(33) *Estimates Committee* is a Committee constituted by the Legislative Assembly for the examination of such of the estimates as may deem fit to the Committee or are specifically referred to it by the House—*See* Chapter XIII.

(34) *Estimating Officer* means a departmental officer responsible for preparing a departmental estimate (A list of estimating officers is given in Appendix C.)

(35) *Exceptional Grant.—See* Article 206 (1) (*c*) of the Constitution reproduced in Appendix A.

(36) *Excess Grant* means a grant voted by the Legislative Assembly to meet the expenditure incurred in a financial year in excess of the amount granted for a service of that year—*See* Section V of Chapter IX.

(37) *Finance Accounts* are the accounts prepared by the Comptroller and Auditor-General of India. They present the accounts of the transactions under the Consolidated Fund, Contingency Fund and the Public Account and the accounts of assets and liabilities of Government such as Debt and Loans and Advances by Government—*See* also Chapter XII.

(38) *Funds.*—Certain items of expenditure like expenditure on replacement of capital assets like machineries in Government Press, Agricultural Engineering Workshop etc., and transport vehicles and machineries in State Transport Department cannot be met from the normal receipts for the year. In order to meet such items of expenditure a *Fund* is constituted for each of the above items such as 'Depreciation Reserve Fund', 'Natural Calamities Relief Fund', etc., to which yearly contributions are made from the revenues of the State at fixed rates. Normally the accumulations in these funds should be invested in readily marketable securities so as to be available in times of need. When the need for replacement of machineries/buses arise or when there is a natural calamity, the expenditure is met by drawings from those Funds. Thus the expenditure on these items if and when incurred will not upset the normal budget for the year.

Sometimes the Government levy a cess or tax for a specific purpose, e.g., Sugar-cane Cess (for development of roads around Sugar Mills and also for Development of Sugar-cane), surcharge on Sales Tax

(for Urban Development). The collections from such items are transferred from the revenue account to the fund account constituted for them in the Public Account. The accumulations in these funds are utilised for the specific purposes for which the levies were made.

When a Fund is constituted with reference to an Act passed by the State Legislature it is called a "*Statutory Fund*", e.g., "Natural Calamities Relief Fund'. Funds constituted by executive orders are ,'*Non-Statutory*', e.g., Urban Development Fund, "Special Welfare Fund" etc.

(39) *Grant* means the amount voted by the Legislative Assembly in respect of a demand for grant.

(40) *Head of Department* means an officer declared as such by Government.

(41) *Inventory control* provides for systems designed to provide on a continuing basis control data relating to both current and anticipated stock requirements, facilitating the prediction of possible shortages due to peak and seasonal demands. The purpose is to ensure that funds are not unnecessarily locked up in inventories but at the same time operations in the capital budget go on smoothly.

(42) *Letter of Credit* system in Government is a system of appropriation control in regard to drawings of the officers of major spending departments where payments are mostly by means of cheques. It refers to the instructions issued by the Finance Department to the Treasury / Sub-Treasury Officers indicating the period-wise allocations for each Drawing Officers of the Public Works and Forest Departments. This stipulates the amount that should be drawn by the officer concerned (i) first for a period of nine months from April to December (ii) second for a period of three months from January to March based on the Revised Estimates for the year. The Finance Department restricts such letter of credit to the Budget appropriation under respective major heads of account.

(43) *Loan*.—Money lent to be repaid on certain conditions and at certain rate of interest.

(44) *Major head* means a main head of account for the purpose of recording and classifying the receipts and disbursements relating to the functions of the Government—*See* paragraph 5 (*c*) of Chapter I.

(45) *Major work* means a work, the estimated cost of which exceeds Rs. 1,00,000.

(46) *Management Information System* is a system of generating, collecting, transmitting, analysing, storing retrieving and using information in a rational and scientific manner as information is the most important and crucial ingredient of the decision making process. The systems approach is required to focus the attention of the administrator on all different aspects or elements which are essential to meet his objectives or getting the required information. The essential elements are ; (i) Input (data) (ii) Analysis and processing (iii) Storage and retrieval (iv) Output (Information) and (v) Plan.

(47) *Minor head* means a head subordinate to a Major head or Sub-Major head—*See* paragraph 5 (*e*) of Chapter I.

(48) *Minor work* means a work the estimated cost of which does not exceed Rs. 1,00,000.

(49) *Modified Appropriation* means the sums allotted to any unit of appropriation as it stands on any particular date after it has been modified by reappropriation or by supplementary or additional grant or grants sanctioned by competent authority.

(50) *New Expenditure—See* Chapter IV.

(51) *New Instrument of Service—See* Chapter X.

(52) *New Service* means a service the expenditure on which is not contemplated in the budget (Appropriation Act) for the year and the expenditure exceeds certain monetary limits and for which a supplementary statement of expenditure should be presented to the Legislature in accordance with the decisions of the Public Accounts Committee—*See* Chapter X.

(53) *Number statement—See* paragraphs 38 and 39 of Chapter III.

(54) *Part I Estimates—See* paragraph 22 of Chapter III.

(55) *Part II Estimates—See* paragraph 23 of Chapter III.

(56) *Plan.*—Any scheme to accomplish a purpose constitutes a Plan. While firms and industries plan future production, advertising, etc., Governments plan, in varying degrees, the future development or performance of their economies. This is usually on an Annual Plan basis and Five-Year Plan basis. Plan schemes are mainly divided into two categories, viz., State Schemes and Centrally Sponsored Schemes. In respect of *State Schemes*, expenditure is incurred by the State and assistance is released according to prescribed pattern by the Central

Government to State Government subject to an over-all ceiling. *Centrally Sponsored Schemes* are those for which the Centre and Planning Commission attach special importance, the progress of each one of them being watched by the Centre. The share of expenditure on these schemes which is usually fully borne by Central Government, is given to State Government, as assistance outside the total pool of assistance made available to the State Government for financing the Plan. There is yet another category of schemes viz., '*Central Sector Schemes*' in respect of which the financial assistance is routed through concerned Ministries rather than through Planning Commission as in the case of Centrally Sponsored schemes.

(57) *Primary Unit of appropriation.—See* paragraph 5 (g) of Chapter I. The primary units of appropriation are variable according to the administrative convenience and as such the exact units will appear every year in the volume " Detailed Budget Estimtes."

(58) *Programme Evaluation and Review Technique* (*PERT*) (*Critical Path Method*) *net work analysis* is the designing of the accounts data to enable a review of the physical progress, not only in terms of money spent, but in terms of the time taken for given activities as against the time stipulated in the time bound activity net-work, to be prepared along with the estimate. The modern practice in respect of major projects is to analyse the project both in terms of the various kinds of activities and in terms of the time consumed for each activity and prepare a net-work analysis to decide on the timing of the individual activities. Net work analysis consists in compiling a diagram, called net work diagram, showing the logical sequence of activities and the relationships between them. From this diagram, the total duration of this project can be calculated. It will also reveal the sequence of activities which contain some measure of flexibility in the time available for their completion as well as those which do not have such flexibility. This implies that all major estimates will have to be subjected to PERT/CPM net work analysis. Critical Path, or the series of operations crucial to timely and proper execution of the projcet within the estimated cost, should be constantly watched. Based on the use of the Programme Evaluation and Review Technique (Critical Path Method Techniques) it should be possible to prepare a memorandum on the possible escalation in costs over the execution period. Action can be taken to complete the execution of the project in the minimum time with minimum increase in costs. The net work itself should be periodically updated with reference to changing conditions so that it is operational.

(59) ***Public Account—See*** **paragraph 3 of Chapter I.**

(60) *Public Accounts Committee* is a committee constituted by the Legislative Assembly for the examination of the reports of the Comptroller and Auditor-General of India relating to the Appropriation accounts of the State, the Annual Finance Accounts of the State or such other accounts or financial matters as are laid before it or which the Committee deems necessary to scrutinise—*See* Chapter XIV.

(61) *Public Debt.*—*See* paragraph 4 of Chapter I.

(62) *Reappropriation* means the transfer by a competent authority of savings from one unit of appropriation to meet additional expenditure under another unit within the same grant or charged appropriation—*See* section II in Chapter IX.

(63) *Recurring charge* is a charge which involves liability beyond the financial year in which it is originally sanctioned ; expenditure sanctioned for a specific purpose and for a specified period (not more than a financial year) is not a recurring charge.

(64) *Remittances.*—The head of account ' Remittances ' under Public Account embraces all adjusting heads under which appear remittances of cash between treasuries and transfers between different accounting circles as in the case of Public Works Department. The initial debits or credits to the head Remittance will be cleared eventually by corresponding receipts or payments either within the same circle of accounts or in another account circle.

(65) *Report of the Comptroller and Auditor-General of India* deals with the points arising out of Appropriation Accounts and Finance Accounts of the year and other irregularities noticed in the course of audit of financial transactions of the Government. It is prepared by the Accountant-General each year and is countersigned by the Comptroller and Auditor-General of India—*See* also Chapter XII.

(66) *Revenue Account*—*See* paragraph 4 Chapter I.

(67) *Standing sanctions* relate to revenue based on existing laws rules or orders and expenditure incurred by virtue of existing rules and orders.

(68) *Sub-detailed heads* denote break-up of detailed heads or objcet classification, wherever necessary, and possible—*See* paragraph 5 (h) of Chapter I.

(69) *Sub-head* means a head subordinate to a minor head. It indicates schemes for Plan Programmes or administrative set up in the case of non-plan expenditure—*See* paragraph 5 (f) of Chapter I.

(70) *Sub-major head—See* paragraph 5 (d) of Chapter I.

(71) *Supplementary statement of expenditure* means the statement to be laid before the Legislature under Article 205 (1) (*a*) of the Constitution showing the estimated amount of further expenditure necessary in respect of a financial year over and above the expenditure authorise- in the annual financial statement for that year. The demand for supplementary grant may be taken or substantive (*See* Section III of Chapter IX)

(72) *Suspense.*—The head 'Suspense' under Public Account accommodates interim transactions for which further operations are necessary before the transactions can be considered complete and finally accounted for i.e., 'Suspense' is not a final head of account.

(73) *Technical Sanction* is the approval to the detailed designs, plans specifications and qualities by the competent engineering authority, which is required to be given to any work before its commencement.

(74) *Vote on account* means a grant made in advance by the Legislative Assembly in pursuance of Article 206 (1) (a) of the Constitution, in respect of the estimated expenditure for a part of the new financial year, pending the completion of the procedure relating to the voting of the demands for grants and the passing of the Appropriation Bill. The Annual Financial Statement is generally presented to the Legislature in the month of February and normally the general discussion thereon in both the Houses, the voting of the demands for grants by the Legislative Assembly and the passing of the Appropriation Bill are expected to be completed before the end of March, so as to make available the grants and appropriations for the ensuing year right from the commencement of the year. But circumstances may sometimes arise in which this may not be possible. On such occasions, demands for advance grants in respect of the estimated expenditure for a part of the year may be presented.

(75) *Vote of credit—See* Article 206 (1) (b) of the Constitution reproduced in Appendix A.

(76). *Voted expenditure* means expenditure which is subject to the vote of the Legislative Assembly. It is to be distinguished from 'Charged' expenditure.

(77) *Zero base line budgeting* means a '*de novo*' examination of all items of expenditure incurred by a department to find out their necessity with reference to functions and responsibilities of the department.

CHAPTER III.

PREPARATION OF DEPARTMENTAL ESTIMATES.

SECTION I—GENERAL.

18. *Accuracy of estimates and responsibility therefor.*– (*a*) Under the rules made by the Governor for the convenient transaction of the business of the State Government and the instructions issued thereunder, the Finance Department is responsible for the preparation of the annual budget for which it obtains materials from the various departmental officers, and the departments of Secretariat. If the material supplied by the departmental officers and Secretariat Departements is defective, the estimates will also be defective and the responsibility then reverts to the officers who supplied the material. It is, therefore, essential that preparation of the departmental estimates should receive the closest personal attention of the estimating officers. The estimates should be framed after a careful and thorough consideration of all items of expenditure and of all sources of income and of every factor likely to affect the actual results. Every care should be taken to see that the estimates are neither inflated nor under-pitched but are as accurate as possible.

(*b*) As the Government accounts are maintained in general on a cash basis, the estimates should take into account only such receipts and payments (including those in respect of the arrears of past years), as the estimating officer expects to be actually *realised or made* during the budget year and not on the basis of the total dues outstanding.

19. *Estimates to be prepared on gross basis.*—The budget estimates should, as a rule, be prepared on a gross and not on a net basis. The gross transactions in the case of both receipts and charges in each department should be sent separately. Receipts should be estimated on the receipt side and the expenditure on the expenditure side. In other words, it is not permissible to deduct receipts from the charges or the charges from the receipts. There are, however, certain exceptions to this general rule of gross budgeting. Refunds of revenues, for instance, are deducted from the gross collections and the budget is prepared only for the net receipts, the reason being that the refunds do not really represent the expenditure of Government but are merely repayments made out of the receipts. The receipts on capital account are also taken as reduction of expenditure and not shown on the receipt side.

There are certain cases in which a service is undertaken by one Government on behalf of another Government or an outside body subject to the

recovery of the cost of the service. The recoveries of expenditure in such cases are treated as revenue receipts of the Government rendering such services or supplies.

NOTE.—All credits and recoveries are however, excluded from the demands for grants. For the purpose of obtaining the vote of the Legislature on the supply and authorising the withdrawals of money from the Consolidated Fund, the gross expenditure is invariably taken into account.

20. *Rounding off.*—The estimates under each lowest unit should be rounded off to the nearest Rs. 1,000. Ordinarily provisions amounting to Rs. 500 and above will be rounded to Rs. 1,000 and those below Rs. 500 omitted except where this has the effect of leaving no provision at all in which case a sum of Rs. 1,000 should be provided. This is however intended only to simplify budgeting by avoiding meticulous calculations. The sanctions to be accorded after the passing of the budget will be for the actual amounts and not in accordance with the rounded figures. In the case of estimates in respect of expenditure incurred in United Kingdom and adjusted finally by the Chief Accounts Officer, High Commission 'in United Kingdom the estimates should be rounded to £ 50 or Rs. 1,000.

21. *Channels and dates for transmission of estimates to Finance Department.*—The Heads of Departments and other estimating officers should prepare the estimates for each head of account with which they are concerned on the basis of the material obtained by them from the subordinate officers. The skeleton forms (in quadruplicate) duly filled in should be returned to Finance Department direct in duplicate along with Examination sheet, a copy to the Director, Government Data Centre and the fourth copy may be sent to the administrative department in the Secretariat. The administrative departments of the Secretariat will scrutinise the estimates and make available their comments to the Finance Department. A statement showing the estimating officers for the various heads of account, the administrative departments of Secretariat, the due dates for receipt of estimates in the Finance Depratment direct from the tstimating officers and from the administrative departments of Secretariat is given in Appendix C. It is utmost importance that the duly scrutinized estimates are submitted without fail by the prescribed dates, in fact the endeavour should be to submit them a few days earlier so as to enable a proper scrutiny by all the concerned authorities. Delay in this respect may upset the entire budget programme and may involve a possibility of any item not being adequately provided for or even omitted altogether.

22. *Part I Estimates.*—The departmental estimates referred to above should take cognizance of only what are called "standing sanctions" i.e., all revenue based on existing laws, rules or orders and all expenditure incurred by virtue of existing laws, rules or orders. These are called the Part I Estimates.

23. *Part II Estimates.*—(*a*) Proposals which involves a reduction or an increase in revenue otherwise than in pursuance of authorised codes, manuals, rules or orders and proposals involving "new expenditure" (*see* Chapter IV) should be submitted to Government separately by the prescribed date. If a departmental officer feels any doubt whether a particular proposal should be treated as constituting a "new expenditure", he should make a reference to Government in the administrative department concerned well in advance of the prescribed date.

(*b*) Proposals relating to "new expenditure" should be submitted to Government as and when ready and in any case not later than the 1st October so that administrative departments of Secretariat and the Finance Department may have sufficient time to examine each proposal as closely as possible and to call for such further information as may be deemed necessary. It must be clearly understood that any proposal reaching the Finance Department after the prescribed date will not be ordinarily entertained and the responsibility for the inconvenience which may be caused to the public service on that account will attach to the officer or the administrative department concerned who or which failed to take action in time.

24. *Classification of receipts and expenditure in Part I Estimates.*—A list of major and minor heads of account as prescribed by the Comptroller and Auditor-General of India is given in Appendix B. The introduction of any new major and or minor head as well as the abolition or a change in the nomenclature of any of the existing major or minor heads require the approval of the Comptroller and Auditor-General and cannot be carried out until such approval has heen obtained. The sub-heads, detailed heads and sub-detailed heads are however variable according to convenience and as such the exact units will appear every year in the State Budget under "Detailed Budget Estimates". The detailed classification of receipt heads is shown in the volume "Detailed Budget Estimates of Revenue". In the matter of accounting and control of expenditure, the classification and nomenclature of the heads as given in the Detailed Budget Estimates should be followed unless they are subsequently modified by the Finance Department.

Note.—While submitting the departmental estimates, under the detailed heads, the estimating officer should as far, as possible, propose estimates under the 26 standard detailed heads *see* para 5 (g) of Chapter I. The estimating officer may, where absolutely necessary, add a detailed head of not provided for in the previous year's budget. But while doing so he must prominently bring it to the notice of the Finance Department to enable them to decide whether the proposed new detailed head should be introduced or the provision made under any of the existing standard detailed heads.

25. *Estimates to be accompanied by explanatory notes.*—Each departmental estimate must be accompanied by a note by the estimating officer containing his proposals and the reasons in support of them arranged

by major heads, sub-major heads, minor heads, sub-heads, detailed heads and sub-detailed heads, etc., in the same order in which the estimates have been prepared. The note should be clear and precise and should explain the variations between the proposed estimates for the forthcoming year and the figures of the budget estimates of the current year. It should also give reasons for the repetition or the omission of any item. Both the estimate and this note should be sent in duplicate direct to the Finance Department with a copy to the Government Data Centre simultaneously sending one copy to the administrative department of the Secretariat.

26. *Corrections to estimates and time limits for their submission.*—Corrections, if any, to the estimates should be sent direct to the Finance Department by demi official letter to the Budget Officer with a copy to the administrative department within *one month* from the date of submission of the estimates and in any case not later than the 15th December. Corrections received after these dates will not be considered.

SECTION II—BUDGET ESTIMATES.

(a) *Revenue and Receipts—Part I.*

27. In the preparation of the budget the aim is to achieve as close an approximation to the actuals as possible. It is therefore essential that not merely should all items of revenue and receipts that can be foreseen be provided but also only so much and no more should be provided as is expected to be realized, including past arrears, in the budget year. The following instructions should be carefully observed in preparing the estimates :—

(i) The estimates should be based on the existing rules and rates of taxes, duties, fees, etc., and no increases or reductions due to changes in such rates which have not been sanctioned by Government should be proposed;

(ii) An estimate should show the amounts actually expected to be received during the budget year and those only. The arrears, if any, standing over from past years for collection should be included if there is a reasonable certainty that they would be realised within the year. On the other hand, the estimates should exclude any receipts which, although falling due during the budget year, are not expected to be actually realised within that year;

(iii) In preparing the estimates of all receipts of fluctuating nature careful attention should be given to all abnormal factors as well as to normal conditions and tendencies like opening up of a new irrigation work for breaching of irrigation canals or famine conditions affecting the realisation of revenue;

(iv) The gross transactions should be exhibited in full, unless in any particular case there are definite instructions to the contrary when net receipts may be entered and a brief explanation given in the remarks column;

(v) Provision is to be made in the revenue estimates, where necessary for refunds, which are shown under a separate minor head '*Deduct*—Refunds' under the major/sub-major heads falling in the sector 'B. Non-Tax Revenue' unless it is not practicable to exhibit such refunds as sub-heads below the programme minor heads under the relevant major/sub-major heads in this sector and under 'C. Grants-in-aid and contributions'. Refunds will be accounted for under a distinct sub-head '*Deduct*—Refunds' opened below the relevant minor head under major/sub-major heads falling under "A Tax Revenue" so that the net collection from the each tax/duty can be readily ascertained from the accounts; and

(vi) If proposals for enhancement or reduction in the rates of taxes, fees, etc., have been sent to Government separately, the financial effect of such proposals should be indicated in the explanatory note.

28. The reasons which have led to the proposing of estimates for the ensuing year should be fully and clearly explained, item by item, in the explanatory note of the estimating officer, especially when the estimate proposed for the ensuing year is in any way abnormal, due regard being paid to the following variations:—

(i) actuals of the past year compared with the original and the revised estimates of that year ;

(ii) revised estimates for the current year as compared with the original estimates; and

(iii) budget estimates proposed for the following year compared with the original and revised estimates for the current year.

29. Where several items of miscellaneous nature are grouped under a single head of account, detailed of the more important items should be given along with the estimates proposed for each item in the explanatory note.

(*b*) *Expenditure—Part I.*

30. The estimates of expenditure under Part I are those for the expenditure expected to be incurred in the coming year for the normal working of the departments with reference to the existing sanctions. No item constituting "new expenditure" should therefore be included in these estiamtes. The estimates should be as close and accurate as

possible and the provision to be included in respect of each item should be based on what is expected to be actually paid or spent under proper sanction during the year including arrears of past years and not merely confined to the liabilities pertaining to the year. The need for every item must be fully scrutinized before provision for it is included and the amount should be restricted to the absolute minimum necessary. The various general or specific orders issued by Government or by heads of departments for economy in expenditure must be carefully borne in mind and complied with.

31. The Finance Department prepares skeleton printed forms and supplies to each head of the department or other estimating officer who submits estimates direct to the Government, in the skeleton printing forms. The following is a typical skeleton form for the detailed estimate of expenditure for 1978–79.

Sub-Major, Minor, sub-heads, detailed heads of appropriations.	Accounts, 1977–78.		Budget Estimate, 1978–79.		Revised Estimate, 1978–79.		Budget Estimate, 1979–80.	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)

Columns (3), (5), (7) and (9) give figures by minor heads, sub-heads and detailed heads of appropriation while columns (2), (4), (6) and (8) give details for the items comprised in some detailed heads of appropriation. The sub-detailed head figures will in each case add upto the figure shown immediately above in the next column against the detailed head concerned.

32. The estimates of the current year must never be adopted blindly as a basis for framing those of the following year. There is always a temptation to save trouble by taking the current years estimates for granted and adding something to certain items on which increased expenditure is foreseen. This tendency is to be strongly deprecated. The estimating officer must give his closest personal attention to each and every item and see that the items of expenditure which have become obsolete are omitted. At the same time it is his duty to see that provision for all expenditure that can be reasonably foreseen and does not constitute "new expenditure" is made in the estimate. Care must be taken that no provision for increased expenditure requiring specific sanction of the competent authority is included unless sanction has already been obtained and that even in the case of a sanctioned scheme provision is made for only so much of it as can actually be brought into effect in the budget year.

33. In preparing the estimates, the average of the actuals of the past three years, as also the revised estimates for the current year should invariably be kept in sight not as something that could conveniently be repeated but as a basis for an intelligent anticipation which takes into account any noticeable tendency for the expenditure to rise or decline, any abnormal feature during the past years, any recognizable regularity in the pitch of expenditure and any special feature known to be certain or likely to arise during the budget year. When any specific item of expenditure although covered by standing sanction is to be held in abeyance under the orders of competent authority, provision for it should be omitted. If it is proposed that it should be revived specific reference to the competent authority should be made well in time and in that case the estimating officer can include the provision in the estimates but he must draw pointed attention to this in his explanatory note at the appropriate place.

34. *Lumpsum provision.*—Lump sum provision should not as a rule be made in the estimates. In some cases however lumpsum provisions becomes unavoidable, e.g., provision for grants to local bodies or to provide managements for water-supply and drainage schemes, road, and bridges and the like. Except when expenditure out of lumpsum allotments is regulated by standing sanctions, instructions or rules full, explanation in justification of the provisions proposed, with indication of the principal items should be given and working out of the details should be started immediately after the amounts have been finally included in the budget so that there may be no delay in their examination and the issue of sanctions.

35. The earlier practice of exhibition of certain expenditure nd receipts taking place in United Kingdom under distinct minor heads 'Charges in England', and 'Receipts in England' under the various expenditure and receipt major heads has been discontinued. Such items of expenditure and receipts will be accounted for and merged with other expenditure/receipts of the same nature under the relevant programme minor head. Detailed instructions for the preparation of these estimates are given in *section* IV.

36. *Estimates for pay and leave salaries of Officers and establishments.*—The pay, leave salary and fixed allowances of a Government servants (excluding pensioner) for a month become due for payment at the end of the month, i.e., on the last working day of each month. If the last working day of a month is a Saturday the payment will be made on the previous working day. The salaries for the month of March, shall, however be disbursed on the first working day in April, since it will be covered by the Budget of the next financial year.

37. (*a*) The estimates should be framed on the basis of the expenditure likely to be incurred in the coming year on account of the officers and subordinates likely to be on duty and the actual pay (including special pay and personal pay but excluding compensatory allowances) to be drawn by them irrespective of the actual sanctioned strength. In the case of holders of posts carrying time scales of pay, provision should also be made for increments falling due during the year. In the case of a cadre which includes leave or training reserves, the estimates should provide not only for such of its members as are likely to be on duty but also those who are likely to take leave or be under training, but no separate provision should be made on account of leave salaries. In small cadres of gazetted officers provision for leave salaries need not be made unless it is definite that certain officers will go on leave. Provision for leave salaries in respect of large cadres of gazetted officers and of non-gazetted establishments should not be made on any percentage basis but on the average of the past actuals plus such increase for new posts as may be considered necessary.

(*b*) No provision should be made for posts held in abeyance. If it is considered necessary to revive any of them in the ensuing year, proposals therefore should be submitted in good time and necessary orders of the competent authority obtained.

(*c*) The estimate in respect of pay of temporary posts should be shown separately from that relating to permanent posts.

(*d*) It is probable that estimates carefully prepared in accordance with the foregoing instructions may still be too high. They should, therefore, be examined with reference to the differences between the estimates and the actuals in past years and a lumpsum deduction should be made for probable savings. Each estimate should be rounded to the nearest thousand rupees.

38. *Numerical strength of officers and establishments.*—The number of posts budgeted for in the current years and those for which provision have been proposed for next year in the estimates should be clearly indicated, both for permanent and temporary posts. The scales of pay should also be included under each detailed head, but it will be sufficient if only the minimum and maximum pay is shown instead of the full scale. In the case of temporary posts provision should be made only for the continuance of such posts as are definitely required to be retained and for the period for which they will be actually required. The number and date of the orders by which each post was created or last retained should invariably be quoted for reference. If any additional temporary posts are required for any sanctioned scheme or project on the basis of the approved programme or work, provision for

them may be included in the budget estimates. Their necessity should, however, be clearly explained and it should be reported whether the cost involved is included in the sanctioned cost of the scheme or project.

39. The Number Statement for pay of Officers and Establishment should be prepared in Form A appended to this Manual. Number Statement for fixed allowances should be prepared in Form B. These forms have been standardized and copies should be obtained by the Estimating Officers from the Director of Stationery and Printing on annual indents. The Number Statements should be submitted by the Estimating Officers to the Finance Department on the 1st August of each year in advance of the departmental estimates.

NOTE.—When submitting the budget estimates for village establishments, whose pay bills are audited by Treasury Officers, the Board of Revenue should append to the estimates certificate to the effect that sanctioned scale has been verified and found correct. This certificate should be based on similar certificates to be obtained by the Board from the Treasury Officers concerned.

40. *Allowances.*—The estimates for allowances should generally be drawn up under the two sub-detailed heads under the detailed head "Salaries", viz. (i) Dearness Allowance and (ii) Other Allowances. The estimates pertaining to Fixed Travelling Allowance should, however, be drawn up under the detailed head 'Travel Expenses'. In the case of Dearness Allowance and other Allowances which are fixed allowances, the estimates should be based on the sanctioned rates and after making actual calculations of amounts to be drawn by the incumbents of the various posts in the budget year and after taking into account changes if any, in the rates due to increase in pay on accrual of annual increments. The estimates for fluctuating items like Travel Expenses should generally be based on the current year's allotment viewed in the light of average of the past three years, actuals, allowance being made for any causes likely to modify that figure. Particular care should be taken to see that the estimate for Travel Expenses (other than fixed travelling allowance) is restricted to the absolute minimum amount necessary, consistent with the paramount need to observe economy under this head. Unless full and convincing reasons have been given in the explanatory note, all increases proposed by the estimating officers are liable to be cut down by the Finance Department.

41. *Allowances of staff paid from contingencies.*—Provision for compensatory allowances, if any drawn by staff whose pay is met from "Contingencies" should be made under the detailed head 'wages'.

42. (*a*) *Office Expenses.*—The estimates for this class of expenditure require careful scrutiny by the Controlling Officer. The actuals for three years should be given in the explanatory note. Abnormal charges if any should be specified and excluded from the total in calculating the average of the three years preceeding. Justification is needed in all cases in which it is proposed to exceed the normal average.

(*b*) *Maintenance.*—The detailed head 'Maintenanace', will include all provisions on maintenance of works and also include repairs incidental to maintenance costing not more than Rs. 5,000.

In cases of new works the cost of which is between Rs. 5,000 and Rs.10,000 and treated as expenditure of civil departments, the expenditure if identifiable under a programme or project, should be accounted for under that programme as an object classification, viz., 'Minor Works'. If this is not possible, it should be classified under the minor head other expenditure'.

43. *Works.*—Expenditure on works is classified under distinct detailed heads titled "minor works" or "major works" under the respective activity sub-heads depending on the outlays involved on the work. All works the cost of which exceeds Rs. 1,00,000 individually will be debited to the detailed head "Major Works" under the respective activity sub-heads. Any work the cost of which is less than Rs. 1,00,000 will be booked under the detailed head "Minor Works" under respective activity sub-heads.

Under each detailed head "Major Works" details of the actual works will have to be furnished in the following form along with the budget estimates in respect of all departments.

Item number.	Name of work.	Estimated cost as per latest sanction.	Cumulative expenditure on the work up to the end of the previous year.
		RS.	RS.
(1)	(2)	(3)	(4)

Budget Estimate for the current year.	Revised Estimate for the current year.	Budget Estimate for the next year.	Remarks.
RS.	RS.	RS.	
(5)	(6)	(7)	(8)

Information in column (3) should be the latest sanctioned estimate. The figures of actuals upto the end of 31st March of the previous year should take into account clearance of the debits from the transitory heads in the Public Account, In respect of new sanctions

issued during the year for which there are no provisions in the budget estimates of the current year, information in a separate statement should be furnished in the following form in addition to the estimates normally furnished in the above form :

Details of work with Government Order number and date.	Amount of Estimate.	Provision sought for in current year's Revised Estimate.	Provision for ensuing year's budget estimates, if any.
(1)	(2)	(3)	(4)

In respect of provisions sought for under the detailed head "minor works" full justification with details of minor works, costing between Rs. 10,000 to Rs. 1,00,000 should be furnished.

44. *Departmentwise ceilings for minor works.*—In order to ensure that the expenditure on minor works for a particular department is not excessive in any year, Government have prescribed suitable monetary limits upto which expenditure on minor works under the 'buildings' sub-heads of various departments can be incurred in any year. Based on the recommendations of the Administrative Reforms Commission orders have been issued classifying any work the cost of which is below Rs. 1 lakh as a minor work. Consequently a comprehensive revision of the departmentwise ceilings for minor works has been undertaken to be in consonance with the revised definition of a minor work. These ceilings will be indicated separately and until the revised ceilings are communicated the existing ceilings shall continue to be adopted. The department according sanctions for minor works may ensure that the total base of sanctions at any point of time does not exceed 1½ times the monetary ceiling for that department.

45. *Motor Vehicles.*—The expenditure on Motor Vehicles used for any purpose, whether for functional activity like Ambulance or for running an office shall be recorded under this detailed head. The sub-detailed head 'Purchases' will record expenditure on purchase of vehicles constituting an additional to the fleet strength or replacement for condemned vehicle. The sub-detailed head 'Maintenance' shall record the expenditure on purchase of spare parts, repair charges and servicing charges. The sub-detailed head 'Cost of Fuel' shall record the expenditure on propulsion charges.

46. *Other charges.*—The detailed head " other charges " is meant to be a residuary head to record expenditure which cannot be fitted into other standard detailed objects of expenditure. This has to be very sparingly used. The Finance Department will authorise the opening of this detailed head in respect of any sub-head only after satisfying itself that the expenditure cannot be conveniently booked under one of the specific standard detailed objects of expenditure.

47. *Customs duty on imported stores.*—The duty should be calculated at the tariff rates in force at the time on the gross value of the stores including incidental charges, such as those for packing, insurance, freight and landing of the stores.

The estimates on customs duty normally form part of the cost of the stores on which duty is paid and should therefore be included in the cost of the stores and shown in the estimates accordingly. This will apply to the stores purchased for the Public Works Department when the cost of the imported stores is eventually treated as part of the cost of the works for which they are used and also to stores imported directly by educational and other institutions instead of through the High Commissioner for India.

In all other cases, the cost of imported stores is debited under the relevant major, minor, sub and detailed heads of account under which they would have been classified had the transactions taken place in India, and the customs duty which is paid in India should be debited to a separate account head " customs duty " as part of the expenditure of the Chief Controlling Officer or Officers under the major head concerned.

47-A. *Payment of decretal amounts.*—Expenditure on payments made in satisfaction of any judgment, decree or award of any court is to be treated as charged on the Consolidated Fund of the State. As reappropriation between charged and voted provision is not permissible, it is necessary that charged provision should be restricted to the absolute minimum additional funds being arranged later, if required through supplementary estimates. In cases where no appropriation within the grant for changed expenditure is available, advance from Contingency Fund can be obtained.

NOTE.—The expenditure on the award by the Arbitrator under the Arbitration Act, 1940 and under section 10-A of Industrial Disputes Act, 1947 is not a charged item of expenditure.

SECTION III—REVISED ESTIMATES.

48. The revised estimate is an estimate of the probable receipts or expenditure for a financial year framed in the course of that year with reference to the transactions already recorded and anticipations

for the remainder of the year in the light of the orders already issued or contemplated to be issued or any other relevant facts. Revised estimate is only an estimate and as it is not voted by the Legislature it is not an appropriation. It does not authorize any expenditure nor does it supersede the budget estimate as the basis for regulation of the expenditure. If provision is made for additional expenditure in them, it is necessary to apply separately for the additional appropriation required, unless this has already been sanctioned. Similarly a reduction in any provision of funds in the revised estimate does not obviate the necessity for formal surrender of any amount provided in the budget estimates which is not likely to be spent. At the same time it is the duty of the Controlling Officer to see that as far as possible the expenditure during the remaining part of the year is so restricted that the total expenditure for the year does not exceed the revised estimate figure. That is Final Modified Appropriation shall not exceed Revised Estimate taking the demand as a whole.

49. The reduction in the revised estimate may be due to one or more of the following causes :—

(i) actual postponement of expenditure ;

(ii) real savings due to economy measures ; and

(iii) normal savings due either to over-estimating or administrative causes, e.g., casualties, etc.

Savings due to cause (i) are in no circumstances to be used to meet new items of expenditure without prior sanction of Government. Unless savings due to cause (ii) have been made deliberately to provide for a foreseen emergency, they should not ordinarily be utilised in the course of the year for new items of expenditure.

50. The revised estimates of the current year are *prima facie* the best indication as to what the budget estimates for the coming year should be. It is therefore essential that they should be prepared with great care so that they may approximate as closely as possible to the actuals which will not be available for some months after the close of the financial year. These estimates enable the Government to arrive at the approximate closing balance of the year which will be the opening balance of the the next year.

51. *Methods for framing the revised estimates.*—A revised estimate is based on—

(i) ascertained actuals of the past months of a financial year ; and

(ii) an estimate of the probable figure for the remaining months of that year.

The figure for (i) above being definitely known, it is only that for (ii) which has to be estimated and in doing so the actuals for the same period during the previous years, chiefly those of the preceding year, should be the main guide, due allowance being made for any exceptional factors or unusual characteristics which may have affected the actuals of the last preceding year or which may affect those of the current year. If the revised figures differ appreciably from the previous year's figure, the reason or reasons for the variation should be clearly explained. Also if any special factors have affected the figures for (i) above, this should be mentioned and it should be explained whether or not they are likely to continue throughtout the year. The usual adjustment with other Governments and departments, etc., which take place during and after the close of the year should be duly taken into account when framing the revised estimates.

52. (*a*) The revised estimates are generally based on the actuals of the first four or six months of the year. Assuming that at the time of the preparation of the revised estimates, the actuals, for the first four months of the current year are available, then the revised estimates may be calculated as follows :—

(i) by adding to the actuals of the first four months of the current year those of the last eight months of the previous year ; or

(ii) by taking a propoitionate figure so that the revised estimates will be 12/4 (i.e., three times) the actuals of the first four months; or

(iii) by assuming that the revised estimates for the current year will bear the same proportion to the actuals of the first four months as the actuals of the previous year bore to those of the first four months of that year ;

(iv) by working out the multiplier 'M' by the formula

$$M = \frac{M_1 + M_2 + M_3}{3}$$

where M_1, M_2, M_3, represent the ratio

$$M = \frac{\text{12 months actuals of previous year (i.e., full year)}}{\text{First 4 months actuals of the previous year}}$$

and by multiplying the 4 months' actuals of the year in question with this average 'M' of the past years.

NOTE:—M_1 shall denote the ratio of actuals of the first preceding year.
M_2 shall denote the ratio of actuals of the second preceding year.
M_3 shall denote the ratio of actuals of the third preceding year.

(*b*) The heads of departments and other estimating officers should use their discretion and adopt one or other of the above methods of any other suitable method for each particular case in the light of the actual trend of revenue or expenditure during the previous years, due allowance being made for any abnormal features in those years and for factors which may modify the realisation of original expectations and also allowing for seasonality if any, in certain transactions peculiar to the concerned department. It would always be cf advantage to base the forecast on a careful of the figures of three years immediately preceding rather than those of a single year.

53. *Corrections to the revised estimates.*—Any appreciable variations discovered in the revised estimates of expenditure and receipts subsequent to the communication to the Finance Department should be communicated to that department within one month from the date of sending the estimate and in any case not later than the 15th December.

SECTION IV—CHARGES IN ENGLAND.

54. *General.*—The bulk of the State Expenditure is incurred in India but a small part of it is incurred abroad (i) in purchasing stores and (ii) in payment of leave salaries and deputation pay, sterling overseas pay, pension and annuities, etc. Stores required for the State are purchased in several foreign countries. Purchases in the United Kingdom and in certain European Countries, are made through the India Stores Department, London. Payments for stores purchased through the India Stores Department, London and stores ordered direct from the firms abroad subject to inspection by the Director-General, India Stores Department, London, are made initially by the High Commissioner for India. London, from the funds placed at his disposal and the debits are passed on to India every month. The Accountant-General, Central Revenues, New Delhi, passes on the debits to the Accountant-General, Tamil Nadu, for adjustment against the balances of the State. The amount in sterling under each major or group head is converted into rupees at the average rate of exchange for the month, but it is split up into two parts, viz.

(1) the rupee equivalent at the official rate of exchange,

and

(2) the difference between this figure and the figures calculated, on the basis of the average rate for the month. Under the procedure obtained prior to 31st March 1974, the difference between the conventional rate and the average rate is debited/credited as a less or gain in

exchange under the relevent capital major heads or commercial departments for the transactions relating to them or in lump under "71. Miscellaneous or L. II. Miscellaneous" if the transactions relate to revenue heads. Under the revised arrangement effective from 1st April 1974 separate adjustments for loss or gain by exchange are dispensed with and the transactions are adjusted at a uniform composite rate, namely, I. M. F. parity rate plus a percentage thereof to cover loss by exchange, etc. Accordingly, under the reivsed accounting procedure, the Chief Accounts Officer, High Commission in United Kingdom will send accounts classifying the transactions, presently shown by him under the minor heads "Charges in England";"Receipts in England", under the relevant major, minor, sub and detailed heads of account under which they would have been classified had the transactions taken place in India. The Chief Accounts Officer will continue to be the estimating officer for these transactions. He will continue to pass on the transactions now classified by him under the remittance head to the Accounts Officers in India through the remittance account as at present for final adjustment.

55. *Nature of expenditure.*—The charges incurred in England by the High Commission of India on behalf of the State Government fall mainly under the following categories :—

(*a*) Purchase of stores.

(*b*) Leave salaries and deputation pay payable in England.

(*c*) Sterling overseas pay (where admissible and drawn in England).

(*d*) Pensions and annuities, gratuities, etc.

(*e*) Miscellaneous items like scholarships, contributions, stipends, cost of publications indented through the High Commissioner, etc.

56. *Preparation of estimates.*—(*a*) The only regular item of receipts in England is the amount derived from the sale of Government publications. Small sums are also recovered on account of overpayments, etc. The estimates for receipts are prepared by the High Commissioner for India in London.

(*b*) The High Commissioner for India in London prepares an estimate for the expenditure he incurs in England on behalf of the State Government and sends to this government. A small amount of expenditure by way of payment of pensions to Military Officers in respect of civil employment on behalf of the Tamil Nadu Government is incurred by the Secretary of State, Commonwealth Relations Office. The estimates for such expenditure are prepared by the Accountant-General,

Commonwealth Relations Office and sent to the Tamil Nadu Government in the Finance Department by about the 15th November through the High Commissioner for India, London.

(*c*) The High Commissioner is the disbursing officer in regard to charges in England under his control. But he makes payments as a rule only in accordance with the sanctions accorded by the Tamil Nadu Government and their officers. It is therefore, necessary that Heads of Departments and other estimating officers should prepare the estimates for these charges in the first instance. As the disbursing officer, the High Commissioner has accurate information with regard to the progress of expenditure, the prices of stores and the dates on which the stores will be ready and payments will be made and he will, correct the estimates sent to him from India on the basis of the fuller information available to him. In order that the High Commissioner's estimates may be received by the Government in the Finance Department in time for examination, heads of departments and other estimating officers in India should prepare the revised estimates for the current year and the budget estimates for the ensuing year for charges in England under the control of the High Commissioner, separately from, and in advance of the consolidated departmental estimates.

57. *Rate of conversion for purposes of estimates.*—For purposes of budget estimates, the rate of Nineteen rupees to a pound is to be adopted. Provision in sterling should be made by the High Commissioner in its estimates in multiples of £ 50 and the figures of expenditure in England which are finally adopted by the Finance Department for incorporation in the State detailed estimate should be multiples of Rs. 1,000. Any figures less than £ 50 or Rs. 1,000 will be rounded to the nearest £ 50 or Rs. 1,000.

58. *Adjustment in accounts of Loss or Gain by Exchange.*—(*a*) When a remittance from India is made to the High Commissioner the actual rupees debited to Government account by the Reserve Bank of India (and not the rupee equivalent at parity rate) will be adjusted under a suspense head as in the case of remittance to other Indian Missions abroad.

(*b*) When the High Commissioner's accounts are received all the transactions appearing therein including those relating to the remittance of cash should be converted at a composite rate of Exchange (i.e., I.M.F. parity rate plus a percentage thereof to cover the loss by exchange) as fixed by the Ministry of Finance from time to time.

(*c*) The debits and credits afforded to the suspense head under which the remittance of cash is adjusted will not be equal, as the actual rupees debited or credited by the Reserve Bank of India and the contra credits or debits appearing in the High Commissioner's Account converted at composite rate will be different. At the end of the year the net difference under the above suspense head on account of debits or credits afforded by the Reserve Bank and accounted for in Government accounts in equivalent rupees and the corresponding credits or debits appearing in the accounts of the High Commission in United Kingdom at the composite rate will represent the net gain or loss. This difference may be transferred in lump as a gain by exchange under the minor head "Gain by exchange" under "068. Miscellaneous General Services" or as a loss by exchange under the minor head "Loss by exchange" under "268. Miscellaneous General Services".

(*d*) All the transactions shown in the Mission's account including the receipt of remittance may be converted at the composite rate of exchange. There will not be any separate adjustment of loss or gain by exchange, and as in the case of remittance to the High Commissioner in United Kingdom, the balance, if any, outstanding under the suspense heads will also be transferred to the major head "Miscellaneous General Services" as loss or gain. Similarly the composite rate should be adopted for the conversion of transactions appearing in the accounts of the India Supply Mission, Washington and consequential recovery effected by/from other departments, Accountant-General, etc., from/by the Pay and Accounts Officer, Department of Supply.

59. *Stores.*—The expenditure on stores purchased in England should be included under the minor head under which expenditure for similar purchases in India is shown.

60. *Leave Salaries and deputation pay and sterling overseas pay.*—Estimates for these heads should be prepared in the forms given below. There should be separate Statements for—

(*a*) expenditure charged on the Consolidated Fund of the State; and

(*b*) voted expenditure

and under each head of these for the Revised Estimate for the current year and the Budget Estimate for the coming year.

Form I—Leave Salaries and Deputation Pay.

Head of account.	Name of the officer.	Whether on deputation or on leave.	Period of leave or deputation.	Rate per month.	Total for the year.	Total converted in sterling at the rate applicable to leave salaries.
(1)	(2)	(3)	(4)	(5)	(6)	(7)
				RS.	RS.	
			Total ..			

Form II—Sterling Overseas Pay.

Head of Account.	Name of the officer.	Sterling overseas pay per month.	Total for the year.
(1)	(2)	(3)	(4)
		Total ..	

When leave salary or deputation pay is paid in England, sterling overseas pay is not recorded separately in the accounts but is included in the leave salary or deputation pay as the case may be. The provision proposed for leave salary or deputation pay and that for sterling overseas pay (to be included in leave salary or deputation pay in the accounts) should, however, be indicated separately for each officer in columns (5) to (7) of Form I. The estimates for leave salaries and deputation pay and sterling overseas pay under "252. *Secretariat*—General Services (*a*) Secretariat—AG. Share of the cost of the High Commissioner's Establishment—05. Payment for professional and Special Service", will be prepared by the Chief Secretary to Government in consultation with the Accountant-General, Tamil Nadu.

61. *Latest date for submission of estimates to the Government.*—The estimates for charges in England, other than pensions, should reach the administrative department of the Secretariat concerned not later than the 1st August and the estimates for pensions will be prepared by the Accountant-General in the usual form and sent to the Finance Department not later than the 1st September.

62. *Deleted.*

63. *Scrutiny and transmission of estimates for charges in England other than those for stores to the High Commissioner.*—The estimates of charges in England other than those for stores received by the administrative department of the Secretariat will be scrutinised by them and forwarded to the Finance Department not later than the 5th September with such modifications as they may consider necessary. The Finance Department will examine these estimates as well as the estimates of pension charges received from the Accountant-General and send consolidated estimates to the High Commissioner so as to reach him not later than the 4th October.

64. *Receipt of corrected estimates from the High Commissioner.*—The High Commissioner on the basis of these estimates and forecast and the more up-to-date information in his possession as regards the extension of periods of leave, etc., of officers, corrects the estimates sent to him and forwards his revised estimates of the current year and the budget estimates of the ensuing year to the Finance Department so as to reach that department in the third week of October.

CHAPTER IV.

PREPARATION AND SCRUTINY OF PART II ESTIMATES.

65. Under the Tamil Nadu Government Business Rules and the Secretariat Instructions, the Finance Department is required to examine and advise on all schemes of new expenditure for which it is proposed to make provision in the Budget and is empowered to decline to make provision for any scheme of new expenditure which has not been so examined. [Please *see* extracts from the Secretariat Instructions in Appendix A.]

66. (*a*) It is not possible to define rigidly the term "new expenditure". In actual practice, based on convention, it bears a wide interpretation. Broadly speaking, expenditure involved on a new scheme in the adoption of a new policy, provision of a new facility, or any substantial alteration in character or extent of an existing facility will normally be treated as constituting "new expenditure". In some cases, increase in expenditure, other than increase due to normal growth or rise in the price of commodities on the extension or development of an existing scheme or facility is also, where it is appreciable, treated as "new expenditure".

(*b*) All proposals which are not in the nature of maintenance work are to be treated as Part II, e.g., if the proposal is to plant 1,000 acres of Blue Gum every year, then the planting part will be Part II every year and the maintenance of previous year 1,000 acres alone will be Part I unless of course at the beginning of the Plan period, the sanction is given for the entire five years.

(*c*) Another feature regarding Part II schemes may also be noted. All schemes in regard to which Government have still an option to incur or not to incur expenditure with reference to Budgetary position should be classified as Part II Schemes. For example, in respect of a scheme for construction of buildings under a head of development there may be a lumpsum plan outlay for an entire plan period. A certain amount of expenditure might have been incurred in the first year, by sanctioning a few works. Eventhough there is a plan provision, it is left to the Government to, incur the expenditure or not in the subsequent years. If the administrative department desires to incur the expenditure by taking up new items of work say in the next year, it should bring forward the proposal for consideration as a Part II scheme for the next year.

67 (*a*). The classes of new expenditure which should be considered under Part II of the Budget Estimates requiring reference to the Standing Finance Committee of the cabinet and then to the Cabinet before the issue of orders sanctioning the schemes are listed out in Paragraph 170 (*b*) of Budget Manual. And in addition, the schemes which are totally new in concept or content and other schemes which Finance Department at its discretion, wants to be treated as New Schemes are brought forward as Part II Schemes, irrespective of the monetary limits laid down.

(*b*) The following criteria are usually laid down in regard to selection of Part II schemes :—

(i) The first charge on available resources will be for schemes which form part of the plan ;

(ii) New Developmental schemes which do not find a place in the approved five year plans will, under no circumstances, be provided for on the non-plan side ;

(iii) Schemes involving non-developmental expenditure will be given the lowest priority ;

(iv) Preference will be given to quick yielding programmes and schemes which are expected to yield a net revenue even in the first few years of operation and

(v) It is quite possible that some schemes (both plan and non-plan) which are under implementation are not very useful to the public at large. A quick review has to be made to ensure whether economy could be effected in those schemes so that cost thereon and staff could be utilised for more useful schemes. Preference will, therefore, be given to schemes of those Heads of Departments, who come forward with economy measures elsewhere.

68. *Details to be given.*—Every proposal or scheme must be explained as fully and concisely as possible and its financial implications both immediate and ultimate, as also the physical target clearly brought out. It should also be explained and shown distinctly whether the proposal forms part of the development programme included in the Five-Year Plan. The estimates of cost should show the recurring and the non-recurring expenditure separately by the major heads, minor heads, sub-heads and detailed heads of account in all cases and by sub-detailed heads of account, where considered necessary. In the case of recurring expenditure and of non-recurring expenditure proposed to be spread over a period of years, the estimates for each year should be given.

Heads of Departments should also furnish full details of assistance expected from outside (other than the block grant and loan received for the plan) whether such assistance has any special conditions to be fulfilled, the period for which such assistance will be forthcoming and the share of expenditure to be borne by the State Government, so that the Finance Department may be able to assess accurately the net liability that has to be borne by the Government.

It is better that new schemes are proposed even from the month of May so that a thorough evaluation can be made. It is necessary that the practice of sending all the proposals together only in October is avoided.

69. *Last date for submission of Part II Schemes.*—To enable a proper and detailed examination being carried out by Government, all proposals or schemes under Part II of the Budget should be submitted by the heads of departments or estimating officers concerned to the administrative departments of the Secretariat concerned as soon as they are ready and should not be held up for being submitted towards the last date which is the 1st October. The administrative departments will examine them thoroughly both from the administrative and financial aspects, and recommend to the Finance Department only such of them as are not only administratively sound but are also really essential and urgent. The proposals should reach the Finance Department in sufficient time and in any case not later than the 1st November, complete in all respects to enable it to carry out proper examination and obtain such further information as may be considered necessary by it. The Finance Department will be at liberty to decline to accept any proposal for consideration after the 1st November irrespective of the reasons. After the schemes have been examined by the Finance Department, the administrative departments of Secretariat should obtain orders in circulation to the Ministers concerned and the Minister incharge of Finance for considering the schemes as Part II Schemes and send copies of Part II Note to the Finance Department immediately and in any case not later than the 15th November. By 15th November, each administrative department should send to the Finance Department a list of Part II Schemes with which it is concerned indicating therein the order of priority in which the scheme should be considered. This list should comprise of two sections, one for Plan Schemes and other for non-Plan schemes, the schemes being arranged in the order of priority in each one of these sections.

70. In framing the estimates of cost, the date from which a Part II Scheme is likely to be introduced and whether it will be introduced in full from the beginning or by stages must be carefully considered. A scheme of new expenditure cannot be introduced until provision for it

has been included in the Appropriation Act, or until the necessary sanction to the scheme has been accorded by the Government. No action which commits the Government to expenditure should be taken in anticipation of their sanction. The period which may be required for preliminaries after the receipt of the Appropriation Act and the orders of the Government will depend on the nature of the scheme. A new office cannot be opened until the personnel of the office is settled, a building rented and the necessary furniture and equipment provided, while the opening of a new school, must in any case wait till the commencement of the school year. In brief, only so much should be provided in the estimates as will actually be spent in a particular year.

71. *Works.*—Schemes relating to works must be accompanied by sketch plans and approximate estimates. In all cases of works and schemes costing more than Rs. 5 lakhs, preparation of detailed estimates should be taken up only on issue of a Memo/Letter of Intent by the authority competent to accord administrative sanction to the schemes and works on receipt of which action should be taken to select a suitable site and arrange for its investigation by the Public Works Department. The Public Works Department will then prepare detailed plans, designs and estimates which will be technically sanctioned by the competent authority in the Public Works Department and submitted to the Government in the administrative Department for according administrative approval. Grants or loans to local bodies for new works will not be considered unless detailed plans and estimates have been sanctioned by the competent authority and unless their necessity has been established. The total estimated cost of the project, the time likely to be required for its completion and the expenditure to be incurred each year should be stated in every case after consulting the agency to whom the execution of the project is to be entrusted. If, as a result of the construction of new buildings any of the existing buildings are likely to be rendered surplus, it should be indicated how they are proposed to be utilised.

72. *Loans or loans and grants.*—Proposals relating to sanction of loans or loans and grants-in-aid to local bodies and other non-Government institutions, private parties, etc., should not be submitted to Government until the admissibility of the loan or grant-in-aid applied for in each case has been fully examined with reference to any existing rules or orders or approved schemes. If the loan or grant-in-aid applied for is for a new scheme or for expansion of an existing scheme, it is necessary to satisfy that full detailes have been worked out and have received the approval of the competent authority. Proper assessment of the latest financial position of the party concerned is absolutely necessary to determine whether—

(i) Government aid is really called for ;

(ii) the balance of expenditure, if any, can be met by the party concerned from its own resources ;

(iii) there is likely to be any difficulty in effecting recovery of the loan proposed to be granted and the interest thereon. The terms and conditions to be attached to the proposed loan or grant-in-aid should be clearly mentioned ; and

(iv) in respect of loans, the D.C.B. position of loans already given to the institution must be checked up to see if the institution is regular in payment of principal and interest.

73. The Education Department Health and Family Welfare Department the Rural Development and Local Administration Department, Public Works Department and other departments which normally have institutions and public undertakings getting loans from Government should each compile annually a list of the new schemes in connection with which applications for loans or loans and grants have been received. It should be in two parts : one for schemes to be financed entirely from loans and another for schemes to be financed partly from loans and partly from grants. No scheme should be included in the list unless the local body's ability to finance the required loans have been established. The schemes will be arranged in the order of priority in the lists drawn up in the forms given below—

Form I—Statement showing schemes to be financed entirely from loans.

Serial number in order of priority.	Local body.	Nature of the scheme.	Total sanctioned cost.	Amount of loan required.	Amount required in 197 -7 .	Balance to be met in future years.
(1)	(2)	(3)	(4)	(5)	(6)	(7)
			RS.	RS.	RS.	RS.

Form II—Statement showing schemes to be financed partly from grants and partly from loans.

Serial number in order of priority.	Local body.	Nature of the scheme.	Total estimated cost.	Total amount to be met from State Funds.		Amount required in current year.		Balance to be met in future years.	
				Grant.	Loan.	Grant.	Loan.	Grant.	Loan.
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
			RS.	RS.	RS.	RS.	RS.	RS.	RS.

These lists should be in two parts—one for Plan Schemes and the other for Non-plan Schemes.

74. When a scheme involving abandonment of an existing item of revenue in whole or in part has been considered as a Part II scheme and provided for in the budget estimates of a year, or when provision has been included for a scheme of new expenditure either in the Appropriation Act for the year after consideration as a Part II scheme or in the Appropriation Act pertaining to the Supplementary statement of expenditure and the scheme is not likely to be introduced in that year, it should be brought forward as a Part II scheme in connection with the budget for a subsequent year. For this purpose, a scheme will be regarded as having been introduced during a year if the Government are committed to the expenditure or some part of it during the year even though no expenditure is actually incurred or is likely to be incurred during that year. For instance, placing an order for plant or machinery or entering into a contract for the execution of certain work would commit the Government to expenditure.

75. *Schemes of new expenditure to be introduced in the course of the financial year.* The different classes of schemes of new expenditure to be sanctioned in the course of a financial year, the conditions to be satisfied before such sanctions are accorded, the financial procedure to be followed by the Secretariat Departments are detailed in Chapter X.

CHAPTER V.

PREPARATION OF THE BUDGET BY THE FINANCE DEPARTMENT.

76. (*a*) Under the rules made by the Government for the convenient transaction of the business of the State Government and the instructions issued thereunder, the Finance Department has been charged with the responsibility to prepare a statement of estimated revenue and expenditure to be laid before the Legislature in each year. Although the material is supplied by the Heads of Departments and other estimating officers, the actual preparation of the budget and the estimates thus falls upon the Finance Department and it is solely the business and responsibility of that department to settle the estimates of receipts and disbursements.

(*b*) The Heads of Departments and other estimating officers report to Government by the dates prescribed, their demands for expenditure for the ensuing year under two heads—Part I and Part II. Part I Estimates provide for the normal functioning of the departments with reference to what are called "Standing Sanctions", i.e., all revenue based on existing laws, rules or orders and all expenditure incurred by virtue of exisiting laws, rules or orders. Proposals which involve a reduction or increase in revenue otherwise than in pursuance of authorised codes, manuals, rules or orders and proposals involving "new expenditure" (*See* Chapter IV) are treated as Part II Schemes.

77. On receipt of the departmental estimates, the Finance Department will scrutinise the estimates item by item, with the due regard to (*a*) the explanations furnished by the estimating officers, (*b*) the recommendations, if any, of the administrative departments concerned, and (*c*) the trend of actual expenditure during the current year and three preceding years.

78. In respect of the estimates of receipts, the Finance Department will take into account any special information affecting the estimates for the forthcoming year which it may possess and which has not already been taken into account by the estimating officer, the Accountant-General or the administrative department.

79. In respect of the estimates of expenditure, the Finance Department will make the closest scrutiny of the items relating to fluctuating and non-recurring charges. That Department will particularly examine the estimates under such units as "Salaries", and "Office expenses" and, if necessary, modify them in respect of adjustments necessary on account of probable savings or on the basis of actuals of previous years,

The Finance Department will scrutinise the estimates of fluctuating charges, item by item and will not allow any increases which are not adequately or satisfactorily explained. It will also scrutinise items in respect of which no increase is proposed with the object of effecting any legitimate reduction which can be made. It will similarly scrutinise the estimates of non-recurring charges, excising any amounts which are not covered by sanction and eliminating or reducing the estimates for the forthcoming year where there is no reasonable certainty that the amount estimated will be spent. It will also scrutinise and make such corrections as are necessary in the classification of receipts and disbrusements—

(i) under the various major heads, minor heads, sub-heads and detailed heads which are primary units of appropriation ; and

(ii) under voted and charged, revenue and capital, Plan and non-Plan, etc.

80. In the course of the examination of the estimates, the Finance Department may find that in respect of particular items further explanations or clarifications, etc., are necessary before the estimates can be settled. The necessity for such further information being supplied to it with the least possible delay needs no emphasis. The Finance Department will normally address their enquiries to the administrative departments of the Secretariat concerned and the latter will furnish the required information where necessary after consulting the Heads of Departments, etc. In case where it is clear that the details will have to be obtained from the Heads of Departments and other estimating officers, the Finance Department may address their enquiries direct to the officers concerned and send a copy to the administrative department of the Secretariat concerned. Final action, will, however, ordinarily be taken by the Finance Department only on the basis of the report received from the administrative department which should be complete in all respects and clear. The required information must be furnished to the Finance Department within the time allotted for the purpose failing which the Finance Department will finalise the estimates at its own discretion and the responsibility for any incorrectness of the estimates will ultimately devolve on the officers of the administrative departments concerned.

81. (*a*) As a result of its scrutiny of each departmental estimate, the Finance Department will adopt figures for each item included in the estimates and will cause the estimate as so adopted to be compiled in the form it appears in the detailed estimates. Simultaneously the Finance Department will communicate to the Heads of Departments and the Administrative Departments of the Secretariat concerned the figures adopted by it. The Heads of Departments and the Adminisitrative

Departments concerned may send immediately modifications to the figures adopted by the Finance Department with sufficient reasons if they consider them necessary.

(*b*) The Board of Revenue will send to the Finance Department and Revenue Department on the 1st January a report on the modifications, if any, to be made in the estimates of receipts under Land Revenue in the light of the latest information available together with an account of the causes likely to affect the collections and a brief review of the conditions in the State.

82. When all the departmental estimates have been settled and detailed estimates are complete in all respects, the Finance Department will re-examine the estimates as a whole and will make such changes as may be found to be necessary due, for example, to overall ways and mean position or modification of the contemplated central assistance or any other financial factor affecting the estimates.

83. The Finance Department will consolidate the copies of Part II schemes received from the administrative departments of the Secretariate arrange them in the order of priority indicated by the departments and place them early in January before the Standing Finance Committee for its consideration. Simultaneouly the Finance Department will make available tothe Standing Finance Committee the resources position as emerging from the departmental estimates duly modified and as fixed by Finance Department — Part I. The Standing Finance Committee will go through each Part II Scheme, consider its urgency with reference to the proposed State Plan, the needs of Heads of Departments, etc. and makes its recommendations to the Council of Ministers.

84. (*a*) The Finance Department will then include provision for all Part II schemes recommended by the Standing Finance Committee and finalise the budget. A preliminary note by the Finance Secretary based on the figures in the consolidated estimates (both Part I and Part II) together with the schedule of new expenditure and the recommendations made by the Standing Finance Committee shall then be placed by the Finance Department before the Council of Ministers ordinarily in the third week of January. The Council may then consider questions of policy arising form the budget, such as fresh taxation, flotation of loans in the market and approve with reference to the funds available all or any of the Part II schemes recommended by the Standing Finance Committee. The modifications made by the Council of Ministers shall then be incorporated under the appropriate demands for grants in the detailed estimates to be presented to the Legislature. Other decesion

taken by the Government affecting the estimates will also be incorporated therein. The Budget is then ripe for presentation to the Legislature.

(*b*) The departmental purposes, the Finance Department also prepares in separate volumes, the " Detailed Estimates of receipts and disbursements under debt, deposit, etc., heads."

85. The Finance Department may, at any stage before the budget is presented to the Legislature, make such modifications in the estimates as may be necessiated by the emergence or the discovery of factors disturbing the estimates so far framed. Such action is incumbent on the Finance Department in the fulfilment of its responsibility to present the estimates as correctly as possible.

CHAPTER VI.

PRESENTATION OF THE BUDGET TO AND ITS DISPOSAL BY THE LEGISLATURE.

86. The Budget literature which is supplied to the Legislature at present consists of :—

(i) Annual Financial Statement ;

(ii) Demands for Grants and Detailed Budget Estimates (three volumes) ;

(iii) Detailed Budget Estimates of Revenue ;

(iv) Detailed Irrigation Budget ;

(v) Detailed Public Works Budget ;

(vi) Detailed Roads and Bridges Budget ;

(vii) Detailed Agriculture, Forest and Fisheries, Cinchona Budget ;

(viii) Detailed Industries Budget ;

(ix) Statement of Posts and Scales of Pay ;

(x) Introduction to Budget ;

(xi) Budget Memorandum ;

(xii) Appendices to the Budget Memorandum ;

(xiii) Budget Speech ;

(xiv) Appendices to the Budget Speech.

87. (i) *The Budget Speech* is largely a policy document where the Minister in-charge of Finance reviews the salient features of the financial administration of the year ending and the year commencing but the main purpose is to focus attention on the polices and programmes of the party he represents and how far they had been already implemented and how far they are to be further implemented during the budget year.

(ii) *The Annual Financial Statement* is a concise document consisting of—

(I) General Statement of Revenue and Expenditure on Revenue Account of the Government of Tamil Nadu.

(II) General Ststement of Receipt and Disbursements on other accounts of the Government of Tamil Nadu.

These two statements constitute the Budget. They are supported by four detailed statements also printed in the same volume ;

(A) Statement of Revenue of the Government of Tamil Nadu.

(B) Statement of Expenditure on Revenue Account of the Government of Tamil Nadu.

(C) Statement of Capital Expenditure of the Government of Tamil Nadu.

(D) Statement of Receipts and Disbursements of the Government of Tamil Nadu on all other accounts, i.e., under Debt, Deposit etc., heads and Loans and Advances.

(iii) *The Budget Memorandum* is intended as a guide for the study of the Budget. Part I is a review of the financial position for the three Budget years. The summary of the financial statement is given thereafter for ready reference. Part II of the volume analyses and explains the figures of revenue under each head of account and of expenditure under each demand. Part III consists of the list of schemes of new expenditure for which provision has been included in the Budget Estimates.

(iv) *The Appendices to the Budget Memorandum* are brought out as a separate publication from the year 1974-75. The following statements are appended in the Appendices to the Budget Memorandum :—

(*a*) Statements explaining the various items of receipts and disbursements booked under each minor head from which emerges a clear picture of the details of transactions recorded in the Government accounts (Appendix I).

(*b*) Statement showing certain capital liabilities and Assets of the Government of Tamil Nadu (Appendix II).

(*c*) Statement showing the transactions relating to Special Funds, e.g., The Tamil Nadu Famine Relief Fund (Appendix III) and Statement showing the transactions relating to the Zamindari Abolition Fund (Appendix IV).

(*d*) Statement showing the loans from the Central Government (Appendix V).

(*e*) Statement of guarantees given by the Government of Tamil Nadu for the due discharge by certain public bodies of certain liabilities incurred by them (Appendix VI).

(*f*) Statement showing the Revenue and expenditure on Revenue Account (Appendix VII).

(*g*) Statement showing the expenditure on Revenue Account under certain broad headings such as salaries, etc. (Appendix VIII).

(*h*) Comparison of the rise or fall in expenditure on the establishment during a period of three years and the percentage of establishment charges to total revenue expenditure (Appendix VIII-A).

(*i*) List of schemes in respect of which the amounts of the Revised Estimates sanctioned during the year have exceeded appreciably the estimates as originally intimated to the Legislature (Appendix IX).

(*j*) Statement showing the Assistance rendered to local bodies (Appendix X).

(*k*) Statement showing the expenditure for Metropolitan Development of Madras (Appendix XI).

(*l*) Statement showing open market loans (Appendix XII).

(*m*) Abstract of the recommendations of the Finance Commission (Appendix XIII).

(*n*) Assistance to the Government Companies, Boards, Corporations, etc. from the State Government.

All other publications such as Performance Budgets presented to the Legislature are intented for the proper understanding of the Budget and for regulating the Voting on demands.

88. The following Budget publications will be sent to the Secretary to the State Legislature on the morning (at 7 a.m.) of the date fixed for presentation of the Budget for circulation to the members of the Legislature :—

1. Budget Speech and Appendices.
2. Budget Memorandum (without Budget at a glance).
3. Budget at a glance.
4. The Annual Financial Statement.
5. A summary of Demands for Grants.
6. Introduction to Budget.

The Budget publications, viz., the Detailed Estimates of Revenue and Detailed Estimates of Demands for Grants intended for supply to the members of the Legislature will be sent to the Secretary to the State Legislature about 3 days prior to the date fixed for presentation of Demands for Grants in the Assembly.

89. The procedure for the presentation of the Budget to the Legislature and for its disposal is regulated by the Tamil Nadu Legislative Assembly/Council Rules relating to financial business. The relevant rules as in force at present have been reproduced in Appendix A.

90. According to the Legislative Assembly Rules, the budget has to go through the following stages :—

(i) Presentation to the Legislature.

(ii) General discussion.

(iii) Voting on Demands for Grants in the Legislative Assembly.

(iv) Introduction, consideration and passing of the Appropriation Bill in the Legislative Assembly and its consideration thereafter by the Legislative Council.

(v) Obtaining the assent of the Governor to the Appropriation Bill.

91. On a day to be fixed by the Governor, which will ordinarily be towards the end of February or early in March, the Minister in-charge of Finance will present the Budget to the Legislative Assembly with a speech explaining the salient features of the Budget. On the same day the Members of the Legislature will be furnished with copies of the Budget documents.

In the Legislative Council the budget is presented usually with another brief speech by the Minister in-charge of Finance.

92. After presentation of the budget to the Legislature, the Finance Department will communicate to Heads of Departments and other estimating officers the sheets of the Demands for grants with which they are concerned. Copies of the Demands for grants will be sent to the Accountant-General, Tamil Nadu, the High Commissioner for India in London, the Accountant-General, Commonwealth Relations Office, London and the Auditor, Indian Accounts in the United Kingdom and Government of India and other State Governments, Research Organisations, autonomous bodies and public libraries, as per the approved mailing list. Although provision may be included for schemes of new expenditure in the Demands for grants no officer may take any action in regard to any such scheme which will have the effect of committing the Government to expenditure until the Appropriation Bill is passed and the scheme is sanctioned.

93. (*a*) The Speaker in consultation with the Business Advisory Committee and the Leader of the House shall fix and appoint sufficient number of days but not exceeding ten days for general discussion in the Legislative Assembly and twenty-five days for voting of demands for grants in the Legislative Assembly. There will be no discussion on the day of presentation.

(*b*) The Chairman in consultation with the leader of the House and Business Advisory Committee shall fix and appoint sufficient number of days for general discussion of the Budget.

94. On such days as may be appointed by the Speaker/Chairman the general discussion begins in both the Houses of the Legislature on the budget as a whole or on any question of principle or policy involved therein. No motion is to be moved nor are the details of the budget to be discussed at this stage further than is necessary to explain the general principles and policies of the budget. The Minister in charge of Finance has a general right of reply at the end of the discussion in both the Houses.

95. After the general discussion is over, the voting of demands for grants is taken up in the Legislative Assembly in accordance with the programme approved by the Speaker. The Legislative Council is not required to vote on the demands for grants. A demand for grant is a proposal made on the recommendation of the Governor, for the appropriation of funds for expenditure to be met from the Consolidated Fund of the State other than that charged. The amount required for charged expenditure are shown separetely in italics and are not subject to vote but can nevertheless be discussed. There is usually one Demand for grant in respect of each department, but the Minister in-charge of Finance may include in any one Demand for grants proposed for two

or more departments or make a Demand for grant in respect of expenditure which cannot readily be classified under particular departments. Each Demand for grant contains first a statement of the total amount required, followed with details arranged by major head, sub-major head, minor heads, sub-heads, detailed heads and sub-detailed heads. The demand is moved by the Minister-in-charge of the subject or department or by some other Minister deputising for him. The Legislative Assembly has power to assent or to refuse to assent to any demand or to assent to any demand subject to reduction of the amount specified therein. Motions can be moved to reduce any demand by a specified sum but not to increase or alter the destination of a demand. Notice of such motions should reach the office of the Assembly not later than 3 p.m. on the day fixed by the Speaker for each Demand or group of Demands. Every such motion must be accompanied by brief note explaining in precise terms the purpose of the intended motion. When several motions have been given notice of proposing reductions in the same demand, they shall be arranged and discussed in such order as the Speaker may determine.

96. On a day fixed by the Speaker before the last of the days allotted by him for moving of demands for grants, further demands for grants may be moved provided that—

(i) if they are required for purpose which in the opinion of the Governor are of an emergent nature ;

(ii) they are for new matters which have not been included in the original estimates of the year.

Such demands shall be classified according to the original demands for grants the details being shown by detailed heads under each grant. It must be understood that all expenditure to be incurred in the coming years should be foreseen and provided for in the Demands for grants presented to the Legislature and that further Demands for grants will be accepted only in very exceptional circumstances.

The Assembly may assent or refuse to assent to any demand, or assent to a demand subject to a reduction of the amount specified therein.

97. After the voting of all the Demands for grants has been completed, an Appropriation Bill is introduced to provide for the appropriation out of the Consolidated Fund of the State all moneys required to meet (*a*) the grants made by the Legislative Assembly and (*b*) the expenditure charged on the Consolidated Fund but not exceeding in any case the

amount shown in the statement previously laid before the Legislative Assembly and the Legislative Council. The Bill has to go before both the Houses, but being a Money Bill, it originates in the Legislative Assembly. The debate on an Appropriation Bill shall be restricted to matters of public importance or administrative policy implied in the grants covered by the Bill which have not alrady been raised while the relevant demands for grants were under consideration. Article 204 (2) of the Constitution of India prohibits the moving of any amendment to an Appropriation Bill which has the effect of varying the amount or altering the destination of any grant made by the Assembly or of varying the amount of any expenditure charged on the Consolidated Fund. After the Appropriation Bill has been considered and passed by the Legislative Assembly, it is transmitted to the Legislative Council for its recommendations. The Legislative Council is empowered to make recommendations and is required to return the Bill within fourteen days of its receipt, to the Legislative Assembly with or without any recommendations. The Legislative Assembly may either accept or reject any of the recommendations of the Legislative Council. If it accepts any of the recommendations, the Appropriation Bill is deemed to have been passed by both the Houses with the amendment recommended by the Legislative Council and accepted by the Legislative Assembly. If on the other hand, it does not accept any of the recommendations of the Legislative Council, the Bill is deemed to have been passed by both the Houses in the form in which it was passed by the Assembly without any of the recommendations made by the Legislative Council. The Governor's assent to the Bill is thereafter obtained, and when that has been given, the amount shown in the Act assented to by the Governor and the Schedule thereto become the sanctioned grants for expenditure under the various Demands.

98. *Vote on Account.*—After the Budget is presented to the Legislative Assembly towards the end of February, the general discussion thereon, voting of the demands for grants and the Legislation of the Appropriation Act are normally expected to be completed by the end of March next so as to make available the appropriation authorised for each service for the budgeted year right from the commencement of the year, viz., 1st April. But in certain circumstances, a longer time may be allowed for general discussion, voting of demands and the passing of the Appropriation Bill with the result that it may not be possible to complete the Legislative work connected with the budget not or before the 31st March and it may be necessary to continue the work in a part of the budget year also. On such occasion, demands for advance grants in respect of the estimated expenditure for a part of the budget year may be presented to the Legislative Assembly. Thereafter the demands will be discussed and voted on and finally passed as an Appropriation Act in the manner laid down in Article 203 of the Constitution of India.

Such advance grants are known as vote on account. After an advance grant is made by the Legislative Assembly, an Appropriation Bill relating to the advance grant will be introduced. The procedure for discussion, passing of the Bill, getting the assent of the Governor, etc., will be the same as in the case of any other Appropriation Bill.

In a year when Vote on Account is taken, say, for one-fourth of the Budget to enable the Executive to incur expenditure for the first three months in the year, the Chief Controlling Officer shall *not* distribute more than this proportion, viz., one-fourth of the Demands, eventhough Finance Department may have sent Budget documents giving provisions relating to the full year. The balance, viz., three-fourths of the provision should be communicated only after the main Appropriation Bill is passed and duly communicated (also vide paras 99 and 105 regarding distribution Budget).

CHAPTER VII.

SUBSEQUENT ACTION IN RESPECT OF THE BUDGET AFTER THE BUDGET IS VOTED.

99. As soon as the Demands for Grants included in the Annual Financial Statement have been voted by the Legislative Assembly and the payment from and the appropriation out of the Consolidated Fund of the State of the sums voted by the Assembly and the sums charged on that Fund have also been authorised by means of an Appropriation Act, the Finance Department will intimate the same to all the administrative departments of the Secretariat and the Heads of Departments indicating at the same time whether the demands have been voted *in toto* or whether any amount has been omitted or reduced by the Assembly, either through substantive or token cuts and the purposes or object underlying each such cut. The administrative departments of the Secretariat and the Heads of Departments will be responsible for taking necessary action immediately for communication of budget allotments to other controlling and disbursing officers under them. The allotments placed at the disposal of each such officer for expenditure, whether voted or charged will be intimated to the Accountant-General and the High Commissioner for India, London also. The Chief Controlling Officers or the Heads of Departments, as the case may be, and the administrative department of the Secretariat concerned shall be responsible to ensure that the expenditure is kept strictly within the authorised appropriation and where cuts have been made by the Assembly in the demands to ensure that the purpose or object underlying the cuts is duly fulfilled. They should carefully remember that it is not permissible to increase or provide for expenditure on any item the provision for which has been specifically reduced or disapproved by the Assembly through a substantive or a token cut.

100. The administrative departments will also ensure that the new items of expenditure for which provision has been included in the budget as passed by the Legislature are sanctioned by them as soon as possible. The orders will be issued with the concurrence of the Finance Department except where the Finance Department may have delegated the necessary financial powers to the administrative departments. A copy of each such order should be sent to the Accountant-General, and to the Finance Department.

101. If the variations between the figures in the Budget laid before the Legislature and those in the Appropriation Act are sufficiently large, the detailed estimates will be reprinted and copies of the revised edition will be supplied to the departments of the Secretariat, and the Accountant-General, Tamil Nadu, etc.

102. The Finance Department will supply copies of the Budget literature to the Accountant-General, Tamil Nadu and while doing so will communicate to him cases in which a demand being presented to it, the Legislative Assembly has declined to provide funds for expenditure on a particular purpose. The Finance Department will also bring to the notice of the Accountant-General any resolution or other motion which has been passed by the Assembly expressing direct disapproval of expenditure on a specified purpose.

103. The Finance Department will also supply copies of the Budget literature to the Comptroller and Auditor-General of India, New Delhi, various Ministries of the Government of India, Planning Commission and the other State Governments.

104. The Finance Department will communicate to the High Commissioner of India, London, and the Director of Audit, Indian Accounts in the United Kingdom, the grants finally approved for expenditure in England under the relevant major, minor, sub-heads and detailed heads of account with which the High Commissioner is concerned.

105. It is absolutely necessary that action is taken by the Heads Departments and other Controlling Officers even at the beginning of the year to distribute the allocations made in the Budget among the field/subordinate officers and to watch the expenditure in order to have real and effective control of expenditure especially in respect of the following heads :—

1. Office Expenses (including Telephone charges).
2. Travel expenses.
3. Motor Vehicles (Maintenance).
4. Machinery and Equipment.
5. Tools and Plant.
6. Major works/Minor works.
7. Other charges.
8. Other non-salary items ; and
9. Provisions in respect of schemes which have been sanctioned as Part II Schemes by the Standing Finance Committee and voted by the Legislature.

In respect of the above items, steps should be taken right from April of every year to restrict expenditure to the levels indicated in the Budget Estimates.

In respect of non-salary items of expenditure detailed above, strict instructions should be issued to field/subordinate officers to limit the expenditure within the Budget Estimates and a copy of the instructions should be submitted to the Government, Data Processing Centre and Government in Finance and Administrative Departments by 15th April of every year along with the Statement giving the quarterwise distribution, if possible, of Budget provision in respect of non-salary detailed heads. Distribution statement in respect of the non-salary items may be sent to Treasury Officers/Pay and Accounts Officers/Sub-Treasury Officers by the Heads of Departments or District Reconciliation Officers so that the Treasuires can pass the bills of each drawing officer with reference to provision earmarked for the drawing officer.

In respect of non-salary items listed above, all Controlling Officers/Estimating Officers may keep back a reserve of 10 per cent to 15 per cent of the total Budget Provisions and distribute the balance among their subordinates. This reserve can be released at the time of fixing the Revised Estimates to meet the increases during the year which were not anticipated at the time of finalising the Budget and also the absolutely necessary increased demands of certain field officers at the end of the year. In distributing allotments, care must be taken to intimate the allotments, with complete accounts classification of each sum allotted, i.e., the major sub-major, the minor, the sub-head, the detailed head and the sub-detailed heads.

During the years when vote on account is taken, distribution statement to the field officers, Treasuries, Government Data Centre, Finance Department and Administrative Department may be for the first few months only depending on the vote taken initially.

106. It is necessary that the communication of sanctions and distribution of grants is effected with the least possible delay. Every effort should be made to complete this work before the end of April. For this purpose, the administrative departments should prepare necessary draft G.Os., etc. immediately after the connected Demands for grants have been voted by the Legislative Assembly without waiting for the final passing of the Appropriation Act and the formal intimation of the budget allotments by the Finance Department. The draft should be referred to the Finance Department for concurrence where this is necessary and kept ready with fair copies for issue early in April.

107. Sometimes proposals for certain new schemes or items of new expenditure are referred to the Finance Department so late in the year that it is not possible for that department to examine them completely in detail. At the same time, such new schemes or items may be considered

to be so urgent and essential that the inclusion of necessary provision for them in the Budget cannot be postponed. Pending the examination of all relevant details, provision for these items may be allowed to be included in the Budget as a special case. Such provisions are in a sense lump-sum provisions although they are not to be treated as such and all such items must necessarily be examined thoroughly both in the Administrative Departments and in the Finance Department before expenditure sanction can be accorded. Such further examination should be started and completed well in time after the presentation of the budget so as to enable the Administrative Departments to issue the necessary orders as early as possible after the passing of the budget. The Administrative Departments should maintain a list of all such items and see that there is no delay in the issue of orders on this account.

108. In the case of permanently sanctioned expenditure, e.g., pay and allowances of permanently sanctioned posts, no fresh sanction is necessary and the sanction once given remains valid unless the funds necessary to make the sanction operative have been specifically refused either by the Legislature or by Government. It is therefore, the duty of the Administrative Departments of the Secretariat to inform the disbursing officers concerned through the Heads of Departments, as soon as possible after refusal of funds by the Legislature or as soon as a decision has been taken by Government, as the case may be, of all cases in respect of which sanction to a particular expenditure has been terminated. In the case of the expenditure sanctioned for a specified period, the sanction becomes inoperative after that period has expired. The disbursing officers should, therefore, move Government through proper channel in good time for extension of the term when this is considered necessary. The disbursing officers should be informed of all cases in respect of which the sanction is not to be renewed. It is necessary that all such orders should be communicated well in time, because in the absence of a definite order to the contrary they may continue to incur, in anticipation of sanction of the competent authority applied for expenditure which will constitute a financial irregularity.

CHAPTER VIII.

REVIEW OF RECEIPTS AND CONTROL OF EXPENDITURE.

SECTION I—REVIEW OF RECEIPTS.

109. Subject to any special arrangement that may be authorised by Government with respect to any particular class of receipts, it is the duty of the Chief Controlling Officers to see that all sums due to Government are *regularly and promptly* assessed, realised and credited into the Government account. The Chief Controlling Officers should accordingly arrange to obtain from their subordinates monthly accounts and returns in suitable form claiming credit for so much paid into the Treasury or otherwise accounted for and compare these with the statements of treasury credits furnished by the Accountant-General, Tamil Nadu, to see that the amounts reported as collected have been duly credited to Government account. A list of Chief Controlling Officers and Subordinate Controlling Officers is given in Appendix D. If wrong credits come to the notice of the Controlling Officers they should at once inform the Accountant-General with a view to correct the accounts. If any credits are claimed but not found in the accounts, enquiry should be made first of the departmental officers concerned. Where the departmental registers are not maintained under the departmental rules, the heads of offices must make their own arrangement within the office to ensure the correct and complete report of the receipts.

110. The following instructions should be borne in mind :—

(i) The departmental Controlling Officer's account should not be compiled from returns prepared by the Treasury. But the Treasury Officer is in some cases required to verify returns for submission to departmental Controlling Officers.

(ii) The amounts collected should at once be deposited into the treasury and in order to minimise chances of discrepancies between the treasury figures and the departmental figures, the chalans with which money is remitted to or deposited into the treasury should bear full and correct classification of account.

(iii) The collections should on no account be utilised for meeting any expenditure, except where utilisation of departmental receipts for departmental expenditure has been specifically permitted by Government.

(iv) Mistakes in classification should be reported by means of footnotes in the next return and action taken where necessary for correction of accounts in accordance with the prescribed procedure.

111. No amount due to Government should be left outstanding without sufficient reason and without bringing the matter to the notice of the competent authority within a reasonable time. Where any dues appear to be irrecoverable, a full report must be submitted to the competent authority and orders sought. If it is found that any dues have become irrecoverable due to failure on the part of any Government servant to take timely action without sufficient reason, the official at fault may, after following the prescribed procedure, be called upon to make good the loss in such manner as the competent authority may deem fit.

112. Unless specially authorised by any rule or order made by competent authority, no sums may be credited as revenue by debit to a suspense head; the credit must follow and not precede actual realisation.

113. The responsibility for keeping a proper watch on revenue receipts primarily rests with the Chief Controlling Officers. The Accountant-General also keeps a watch and immediately reports to the Finance Department any large increase or falling off in those receipts. Any large differences that are likely to arise in actuals as compared with the estimates should also be reported by him as soon as reason arises for expecting them. The Accountant-General,. Tamil Nadu, is required to submit to the Finance Department a monthly account showing the receipts and expenditure of the Government during the month and to the end of the month *the first of the second following month.*

114. The Chief Controlling Officer's must see that claims in respect of dues from other Governments and local bodies, etc., are made and recoveries effected as early as possible.

115. To ensure that all periodical adjustments between the various departments of the Government are properly and promtly made, the Accountant-General should maintain a record showing (i) all periodical adjustments that are usually required to be made (ii) the month's account in which the adjustments should be made ; and (iii) the actual date of adjustments, and should take steps to ensure that as far as possible all aujustments are made before the close of the final accounts of the year.

116. (*a*) Under the Tamil Nadu Government Business Rules and Secretariat Instructions, Finance Department is responsible for watching the Government's balance and their ways and means operations. To enable that department to discharge the responsibility, the Accountant-General is required to furnish to it a monthly account of the State Government's transactions. The Accountant-General informs the Finance Department immediately of the appearance of any appreciable excess in the proportionate outlay under any grant, any large differences that are likely in the actuals as compared with the estimates as soon as reason arises for expecting them.

(*b*) The Chief Controlling Officers of receipt heads relating to collection of taxes also send to the Finance Department monthly statements of receipts with reasons for appreciable increase or fall in receipts. The Finance Department makes a review of the receipts and expenditure of the Government every month and takes appropriate steps to have sufficient balances for the ways and means operations.

SECTION II—CONTROL OF EXPENDITURE.

117. (*a*) The authority administering a grant is responsible for watching the progress of expenditure under its control and for keeping it within the sanctioned grant or appropriation. In order that the control of departments over the expenditure may be effective and real and the Controlling Officers may be in a position from month to month to estimate the likelihood of savings and excesses over grants and appropriations, the procedure outlined in the following paragraphs should be followed.

(*b*) The Chief Controlling Officers will also be responsible for controlling expenditure from the charged appropriations placed at their disposal and will exercise control through the Subordinate Controlling Officers, if any, and the disbursing officers subordinate to them. Such control must be exercised with reference to the appropriations as they stand from time to time.

118. As soon as the grants have been communicated to the Chief Controlling Officers, the first duty of these officers is to compare carefully the amounts actually provided for expenditure in these grants with the amounts which had been proposed in the departmental estimates. A note must be taken at once of all reductions made under various units of appropriation and ways and means devised, right at the beginning of the year, to ensure that the expenditure is restricted to the amounts actually provided. Reductions are mostly made to enforce economy in expenditure. It would be improper on the part of the administrative

departments and their subordinate officers to start incurring expenditurre without first carefully re-examining the position with reference to the amounts actually provided. Quarterly statement of expenditure under each head of account must be prepared so as to watch expenditure in comparison to amounts actually provided.

119. The sheets of the detailed estimates relating to the demands for grants which are communicated to a Chief Controlling Officer show the budget estimates as finally fixed for the various heads of account with which he is concerned. Figures are entered not only against the various detailed heads of appropriation but also against the sub-detailed account heads of which they are concerned. Except in regard to the heads of account specified in Appendix E, the amount provided in the budget estimates for each unit of appropriation should be regarded as an appropriation placed at the disposal of the Chief Controlling Officer. In the excepted cases, the appropriation is retained in the hands of the Government in the administrative department of the Secretariat entered against each item.

120. The duties and responsibilities of a Controlling Officer briefly are (*See* also para 105).—

(i) to ensure that the grant placed at his disposal is expended only on the objects for which it has been provided keeping in view the standards of financial propriety ;

(ii) allotment must be made drawing officerwise after reserving some cushion in non-salary items and this must be intimated to Data Processing Centre and Chief Controlling Officer :

(iii) to keep the expenditure within the sanctioned grant ;

(iv) to keep the expenditure under a particular unit of appropriation as far as possible within the sum allotted under that unit, and where this is not possible, to meet the excess by effecting savings in the sums allotted to him under other units and sanctioning re-appropriation which may be within his competence in accordance with the rules contained in Chapter IX ;

(v) to move the competent authority in proper time to provide additional funds either by reappropriation or through supplementary estimates, whenever an excess over the total grant placed at his disposal ie expected by him as unavoidable or when he desires to incur some new expenditure ;

(vi) to surrender appropriations or portions thereof which are not likely to be required during the year as soon as lapses or savings are foreseen ; and

(vii) to ensure the observance by himself and his subordinates of all financial rules and regulations.

121. The responsibilities mentioned above of a Chief Controlling Officer attach equally to a Subordinate Controlling Officer and a Disbursing Officer. In addition, a disbursing officer must ensure that the conditions preliminary to the incurring of expenditure are satisfied, namely, that the sanction of the competent authority exists and funds to cover the expenditure fully have been placed at his disposal. The possibility of any excess expenditure over the allotments made to him must be foreseen and intimation of the likely excess, along with the reason for this, should be sent to the Chief Controlling Officer/ Subordinate Controlling Officer concerned in sufficient time to enable the latter to arrange additional funds if these are to be allotted at all. Every Chief Controlling Officer and Subordinate Controlling Officer in respect of the expenditure incurred by himself, is in the same position as disbursing officer.

122. An appropriation is intended to cover all charges including any outstanding liabilities of past years to be paid during the current year or to be adjusted in the accounts of that year. When a provision is originally proposed in the departmental estimate or when an application is made subsequently in the course of the year for additional appropriation, the amount asked for should therefore be inclusive of all anticipated liabilities. An appropriation is operative until the close of the financial year when any unspent balance lapses and is thus not available for unitilisation in the following year. The accounts of each financial year are however kept open till July of the following year so that, as far as possible, all the transactions of the year may be entered in the accounts of the year. If it is not possible for any expenditure to be booked in the accounts of the year to which it relates owing to the fact that the actual incidence thereof is under dispute, it ougtht to be charged to the accounts of the year in which the final dicision is taken.

123. (*a*) A Chief Controling Officer has to see that the expenditure under each unit of appropriation is kept within the appropriation and, therefore, he must keep a constant watch over the progress of expenditure and also know what liabilities have been incurred but not yet paid. It is possible to control the expenditure in either of the two following ways :—

(i) by keeping the appropriation in his own hands and watching the actual expenditure against the appropriation for the State as a whole;

(ii) by distributing the appro-riation among his Subordinate Controlling Officers, each of whom will in turn distribute the appropriation at his disposal among the disbursing officers subordinate to him and making each such authority responsible for watching expenditure against the appropriation allotted to him.

(*b*) In the former, the Chief/Controlling Officer is wholly responsible for watching the expenditure against the appropriation, whilst in the latter case he shares this responsibility with his subordinate officers.

(*c*) As a general rule, expenditure based on sanctioned scales, e.g., pay of permanent establishmnets should be watched for the State as a whole. Where the amount actually spent depends largely on decision to be made by the disbursing officers, e.g., Travel expenses (other than fixed travelling allowances) and non-recurring Office Expenses. It is better to distribute the appropriation among the disbursing officers. The Chief Controlling Officers should retain in their own hands, the appropriations for the following heads of accounts :—

(i) 230. Stamps and Registration—

B. Stamps—Judicial—

aa. Expenses on sale of stamps—

I. Non-Plan—

AA. Sale of Court-Fee Stamps ..	230B AAAA 0002	
26. Other Charges	230B AAAA 2602	
1. Discount on sale	230B AAAA 2610	

ab. Cost of Stamps—.

I. Non-Plan—

AA. Supply from Central Stamp Stores ..	230B AAAA 0001
10. Materials and Supplies	230B AAAA 1900
1. Manufacturing cost payable to Nasik Press	230B AAAA 1918

C. Stamps—Non-Judicial—

ab. Cost of Stamps—

I. Non-Plan—

AA. Supply from Central Stamp Stores ..	230C ABAA 0000

C. Stamps—Non-Judicial—

ac. Expenses on sale of stamps—

I. Non-Plan—

AA. Madras City	230C	ACAA	0009
26. Other Charges	230C	ACAA	2609
1. Discount on sale of stamps ..	230C	ACAA	2617
AB. Mofussil	230C	ACAB	0008
26. Other Charges	230C	ACAB	2608
1. Discount on sale of Stamps ..	230C	ACAB	2610

(ii) Under all major heads of expenditure—

(*a*) Salaries—Pay—Permanent.

(*b*) Other Allowances—Cost of passages.

(*c*) Grants-in-aid.

(*d*) Charges payable to Governments, departments and others. Otherwise, a Chief Controlling Officer has full discretion to decide in each case whether he will retain the appropriation in this own hands or distribute it among his subordinates. When the appropriation is distributed, it is desirable for the Chief Controlling Officer to retain in his own hands a reserve of 10 per cent to 15 per cent of the total budget provisions in respect of non-salary items from which he can sanction additional amounts asked for by Subordinate Controlling Officers when necessary and each Subordinate Controlling Officer should similarly retain a small sum in his own hands, so that he may sanction, when necessary, small additional amounts asked for by the disbursing officers subordinate to him.

NOTE.—The distribution of appropriation by the Chief Controlling Officer among his Subordinate Controlling Officers and by the latter among the disbursing officers subordinate to them should be made immediately on receipt of the first edition of Budget sheets and should be completed before the 5th April and 20th April respectively of each year. The distribution should be altered, if necessary with reference to the variations, if any, in the final edition of the Budget (i.e., the detailed grants the schedule to the Appropriation Act). The alterations made should be communicated to the officers concerned without delay.

124. To facilitate control, departmental accounts are maintained by the Chief Controlling Officers and the progressive actuals month by month are reconciled with those entered in the books of the Accountant-General.

125. (*a*) Every Disbursing Officer will maintain a register of expenditure under each detailed head of account with which he is concerned in Form C. The allotments communiated by the Controlling Officer at the beginning of the year will be noted in this register in red ink under each detailed head in the space provided for the purpose. If the allotment against any unit is increased or decreased by the Controlling Officer subsequently, the amount of the allotment will be corrected in the register by plus or minus entry in red ink. Should a disbursing officer receive information from his Controlling Officer that any particular item has been misclassified, he will correct the accounts of expenditure and the availabe balances of the allotments by means of plus or minus entries in red ink. As soon as a bill is passed at the treasury it should be posted in the appropriate columns of the register against the treasury district in which the payment is made. In the case of pay and allowances of village establishments, cattle pound charges and loan disbursed under the Land Improvement Loans and Agriculturists' Loan Acts, it is sufficient to copy the monthly totals from the records maintained by the disbursing officers. The adjustments, if any, made by the Accountant-General and intimated to the disbursing officer should be entered on receipt of the intimation.

(*b*) After the close of each month, every disbursing officer should, after such reconcilation with the treasury figures as may be prescribed by the Chief ControllingOfficer in consultation with the District Treasury Officer, forward to the Controlling Officr immediately superior to him an extract of his account in Form C, omitting the details leading up to the district total against serial number IV.

126. *Subordinate Controlling Officer's Register.*—The Subordinate Controlling Officer should consolidate in Form 'D' the figures in his own register of disbursements (Form C) and the figures contained in the extracts of accounts recieved form the disbrusing officers subordinate to him. The disbrusements appertaining to each sub-head of appropriation or detailed account head should be grouped by districts. The Subordinate Controlling Officers should after such reconciliation with the treasury figures as may be prescribed by the Chief Controlling Officer forward an extract of his register in Form D to the Chief Controlling Officer showing only the totals against each serial number except serial numbers VI and IX which should be omitted.

127. The reconcilation of departmental figures with the booked figures in the office of the Accountant-General has two objects, viz.—

(i) to ensure that the departmental accounts are sufficiently accurate to secure efficient departmental financial control; and

(ii) to secure the accuracy of the accounts maintained in the Accounts office from which the final published accounts are compiled.

128. *Reconciliation by disbursing, etc., Officers.*—All disbursing Officers and Subordinate Controlling Officers should reconcile their departmental figures with the treasury figures before they forward them to their immediate superior Controlling Officers.

129. *Chief Controlling Officer's register and reconciliation of figures.*—(*a*) A Chief Controlling Officer should consolidate in Form D the totals of his own expenditure (Form C) and that shown in the extracts from the registers of Subordinate Controlling Officers in the manner prescribed for Subordinate Controlling Officers. He should send an assistant of his office to the Accountant-General's office with the departmental registers every month on a date fixed by the Accountant-General. The assistant, should with the assistance of the Accountant-General's staff, compare the departmental figures with those recorded in Accountant-General's books. A statement of discrepancies will be prepared, in duplicate an analysed in two columns, one showing the adjustments to be made in the Accountant-General's books and the other showing the adjustments to be made by the Chief Controlling Officer. The Accountant-General's office will keep one copy, the assistant will take the other back to his office, where the necessary adjustments should be effected in the departmental registers. The Chief Controlling Officer should inform the Accountant-General that this has been done. The Accountant-General will likewise make the necessary adjustments in his books and inform the Chief Controlling Officer that he has done so. The latter should then send a certificate to the Accountant-Genenral stating that the figures in his registers have been reconciled with those in the books of the Accountant-General.

(*b*) If the Chief Controlling Officer's office is outside Madras, he should send to the Accountant-General on or before the 28th day of the month following that to which the accounts relate, an extract in Form D showing the figures under each minor head, sub-head, detailed head and sub-detailed head, except the ajdustments communicated by the Accountant-General and the figures against serial numbers IX to XI. The Accountant-General will check the figures with his own accounts and he and the Chief Controlling Officer will be jointly responsible for the reconciliation of differences, in the figures and the rectification of discrepancies in classification.

130. In respect of appropriations under the control of the Commissioner for Government Examinations, against which bills are drawn by both officials and non-Officials, the Commissioner will control the expenditure by making a reduction of the appropriation by the amount

of each bill countersigned by him and by obtaining the accounts of each month from the Accountant-General not later than the 28th of the following month.

The Secretary of Legislative Assembly Department and the Secretary of the Legislative Council Department will follow the same procedure in controlling the expenditure on the Travel Expenses of the Members of the Assembly and Council.

131. *Accountant-General's adjustments.*—The Accountant-General will inform a Chief Controlling Officer of all expenditure for which the latter is responsible and which has been adjusted in the accounts either by the Accountant-General himself as in the case of inter-departmental adjustment or through the Central Accounts Section of the Reserve Bank of India, Nagpur (e.g., Inter-Governmental adjustments) or through the Accountant-General, Central Revenues (e.g., expenditure in England). The Chief Controlling Officer will enter the adjustments directly in his own account in Form C or will commu icate them to his subordinate officers for entry in their accounts, according as the charge is one for which he has retained the appropriation or one for which he has distributed the appropriation to his subordinate officers. Care should be taken to avoid double entries in respect of adjustments.

132. (*a*) The Chief Controlling Officer shall keep a separate and careful watch on important but occasional items of expenditure (e.g., purcahse of clothing and equipment and arms and ammunition for the Police Force, machinery and equipment and medicines for hospitals and dispensaries and foodgrains, etc., for jails). Such expenditure is incurred occasionally or at irregular intervals throughout the year and watching the monthly progress of expenditure is not appropriate in such cases. He will decide for himself what suitable method he should adopt to watch such expenditure and keep control over it. In some cases he may prefer to keep the entire grant in his hands and direct the disbursing officers to apply for allotments when they wish to incur expenditure. In other cases he may distribute allotments and merely ask the disbursing officers to report the expenditure, as soon as they incur it, separately from the monthly accounts of other expenditure. Whatever method he adopts, it is essential that he should keep himself fully informed from time to time not only of the expenditure already incurred but also of the liabilities incurred which have to be met out of the sanctioned grant.

(*b*) The Chief Controlling Officers and the Estimating Officers are supplied every month with the actuals for the month and progressive total upto the month by the Data Processing Centre. They should verify the departmental actuals with the Government Data Centre, actuals and intimate any discrepancy or error to the Director, Government Data Centre immediately to enable the Government Data Centre to compile correctly in the final statement for the concerned month.

(c) *Reconciliation of loans and avdances.*—The Accountant-General authorises a list of heads of account to be operated in the receipts and expenditure sides of loans and advances sections of Treasury Accounts. The authorisation is issued to all Treasury Officers and copied to the Heads of Departments. The detailed heads of account for which budget provision is rupees one lakh or more, or for which outside assistance is obtained are authorised by the Accountant-General to be operated in the Treasury accounts. In respect of the detailed heads which are not authorised by the Accountant-General, the transactions coming under them will be accommodated under the head "Other loans" provided under the same group head of account. In these cases the Departmental Officers should maintain separate departmental accounts for each scheme separately to enable them to reconcile their figures with those of the Accountant-General.

133. If the Chief Controlling Officer finds at any stage that the expenditure is progressing too rapidly, he should promptly take such steps as he may consider necessary to restrict further expenditure so that the sanctioned grant is not exceeded.

134. The functions of the administrative departments of Secretariat in respect of control of expenditure (except in those cases in which the expenditure is controlled by the Secretaries to Government) are generally supervisory and it is undersirable that they should assume any of the direct responsibilities which devolve properly on the Controlling and Disbursing Officers. They will however, either on the report of any head of a department subordinate to them or at the instance of the Finance Departments or the Accountant-General or on their own initiative take any action which may be necessary in the general interest of economy or to check extravagance or to obviate excecsses over allotments. They will also take action when necessary to restrict expenditure and to investigate the cause of extravagance and excess and also to make out suitable punishment, after observing proper procedure, to the officials found to be at fault, to prevent the recurrence of any irregularity or impropriety in expenditure.

135. (*a*) For the heads specified in Appendix E, the expenditure will be watched by the Secretary to the Government in the Department concerned with the assistance of monthly actuals received from the Accountant-General. Where only adjustments and no direct cash payments are made under a head of account [e.g., items (i), (ii), (iii), (xi), etc., in Appendix E] or where the Accountant-General audits each individual payment, it will be sufficient if the montlly actuals received from the Accountant-General are examined for the purpose of obtaining additional appropriations or surrendering amounts not required for expenditure.

(*b*) In regard to the other heads of account listed out in Appendix 'E' excepting grants-in-aid under "259. Public Works", "282. Public Health, Sanitation and Water-supply". "283. Housing" and "337. Roads and Bridges" the departments of the Secretariat should check the monthly actuals of expenditure received from the Accountant-General with reference to the standing sanctions or other orders issued by the Government or by obtaining departmental figures from subordinate authorities. The procedure prescribed in paragraph 123 for the reconciliation of the Chief Controlling Officer's figures should, as far as possible, be followed and the correctness of actuals should be verified every month.

(*c*) For grants-in-aid under "259. Public Works", "282. Public Health, Sanitation and Water-supply", "283. Housing" and "337. Roads and Bridges" the Accountant-General will send a statement of actuals in Form 'E', not later than the 22nd of each month showing by districts the amount of the several classes of grants-in-aid actually disbursed to each local body during the previous month. The statement relating to grants for water-supply schemes will be sent to the Public Works Department and the statement relating to other grants will be sent to the Rural Development and Local Administration Department. After necessary action has been taken by the Government, the returns received from the Accountant-General in each month except those relating to March will be returned to him by the 5th of the succeeding month.

(*d*) As regards non-recurring grants to local bodies for roads and bridges and improvements of village communications, the Rural Development and Local Administration Department will communicate to the local bodies concerned the amounts provided in the budget estimates as soon as possible after the Appropriation Act has been passed. The Chairman of the municipal councils and the panchayat unions for which grants have been provided should submit to the Government not later than the 10th January every year a statement in Form 'F', showing :—

(i) the expenditure incurred on and the grant drawn against each item of work up to the end of the previous December ; and

(ii) the probable expenditure, estimated as accurately a possible for the remaining three months of the year.

Expenditure/Receipts in England.—With the abolition of the minor head "Charges in England/Receipts in England" the Chief Accounts Officer, High Commission for India in United Kingdom will classify the transactions presently recorded under these minor heads, under the relevant major, minor, sub and detailed heads of account under which they would have been classified had the transactions taken place

in India. He will continue to be the estimating officer for these transactions. In order to enable the authorities to discharge that duty, it is essential that the authorities in India send to them prompt initmation of any circumstances which are likely to affect the original budget estimates.

137. *Special procedure for Public Works and Forest Departments.*— The procedure laid down below applies to expenditure in the Public Works and Forest Departments only when the officers meet the charges by drawing bills on the Pay and Accounts office in the city or on the treasuries, e.g., Salaries and Office expenses. As regards the mofussil offices of the Public Works Department, the reconciliation should be effected by the Superintending Engineers concerned by means of monthly statements of account and discrepancies. In regard to the charges which these departments meet by drawing cheques on the treasury, the accounts compiled by the Accountant-General are based on initial accounts maintained by the departmental officers themselves and the procedure for the control of expenditure is, therefore, somewhat different as indicated below:—

(*a*) *Public Works Department.*—(i) The divisional accounts furnish all the information necessary for the watching of expenditure. The divisional officers should prepare a monthly statement in Form 'G' (Form 'X' in the P.W.A. Code) for each major head of account. This statement should show the various minor heads, sub-heads and individual works for which specific appropriations have been sanctioned by higher authorities as well as the appropriations therefor as modified from time to time. If a lumpsum appropriation has been placed at the disposal of the divisional officer for more than one work, they may be grouped together and only the total shown. The expenditure incurred under each unit of appropriation should be posted in the relevant column from the register of works and the schedules of works expenditure. For suspense heads, the net credit or debits alone need be posted. Un discharged liabilities and anticipated credits should be separately recorded in the column provided for the purpose.

(ii) The statement should be completed within a week after the date fixed for closing of the divisional accounts and a copy forwarded to the Superintending Engineers. The latter will consolidate the statements received from the divisional officers into a circle report in Form 'H' (Form 'Y' in P.W.A. Code) and send a copy to the Chief Engineer. The Chief Engineer will check the accounts with those in the Accountant-General's office following the procedure prescribed in paragraph 127 and communicate any discrepancy between the departmental and the Accountant-General's accounts to the Superintending

Engineer for reconciliation. Corrections, if any, initmated by the Chief Engineer should be incorporated by the Superintending Engineer in his accounts and communicated to the Executive Engineer.

(iii) The Chief Engineer will also review the progress of expenditure for each circle with the help of the circle report and also consolidate the circle statements in Form ' H ' (Form ' Y ' in the P.W.A. Code) for the purpose of reviewing the progress of expenditure for the whole State.

(*b*) *Forest Department*.—The disbursing officers, other than the State Silviculturist and the Forest Utilization Officer, should send to the Conservator of Forests in Form ' J ', a progressive statement of expenditure for each month compared with the appropriations, so as to reach him not later than the 8th of the succeeding month. This statement should be compiled from the monthly divisional account forwarded to the Accountant-General. The District Forest Officer should also submit to the Conservator every month three days after the monthly accounts are sent to the Accountant-General, a statement in Form ' K ' of the progress of expenditure on individual works sanctioned by a higher authority. The details of expenditure under office expenses, etc., should be watched through the contingent registers.

The Conservator receives from the Accountant-General a monthly summary of expenditure under the several heads of account and he should reconcile the summaries with the district returns in Forms ' J ' and ' K '. He should also consolidate his own expenditure and that is shown in the statement of the District Forest Officers in a progressive statement for the whole circle in Form ' L '.

The Conservator should also prepare return in Form ' J ' for the circle as a whole and send it to the Chief Conservator so as to reach him not later than the 18th of the month. The Chief Conservator will also obtain similar statements for each month by the 18th of the succeeding month, directly from the State Silviculturist, and the Forest Utilization Officer and will then consolidate his own expenditure and that is shown in the circle and other returns in a single statement in Form ' L ', so that he may watch the expenditure of the department as a whole against the appropriations. He should also reconcile the statement with the summary of expenditure for the month based on audited figures which will be sent to him by the Accountant-General.

(*c*) The Government have introduced a system of issue of letter of credits commencing from 1st August 1972 for each Drawing Officer of Public Works and Forest Departments on the sub-Treasuries or

Treasuries stipulating the amount that could be drawn by the officer concerned in three instalments (i) First for a period of 6 months from April to September based on the Budget Estimates, for the year, (ii) Second for a period of 3 months from October to December based on the Budget Estimates for the year, (iii) Third for a period of 3 months from January to March based on the Revised Estimates for the year and also the total amount that could be drawn during the year. The Heads of Departments covered by the scheme will furnish to the Finance Department a statement showing the budget allocations, the amount necessary for operation at headquarters for adjustments against central purchases and by way of central reserve for further allocation for special and urgent needs of subordinate officers and the limits upto which the subordinate officers need be allowed to draw funds every quarter. The break up to be given to Government will be for a district Treasury as a unit. Based on these statements the Finance Department will issue necessary instructions to the Treasury Officers indicating the monthly as well as annual allocations for the various drawing officers. These Drawing Officers (i.e., Divisional Engineers) will further allocate the allotments among various subordinate officers working under them (e.g., Assistant Engineers) and inform the District Treasuries of the allotments. The District Treasury Officers will in turn communicate these allocations to the concerned branches of the State Bank of India, the various sub-treasuries and the concerned branches of the State Bank of India.

The intention is that the drawal of cheques by the officers of the Public Works Department and Forest Departments should be regulated with reference to the allotments for those officers communicated to the respective branches of the State Bank of India.

This system of letters of credit will apply only the Drawings on the expenditure side under Public Works Department and Forest Remittances.

Cheques drawn by the various Drawing Officers will be honoured by the branches of the State Bank of India upto the amount of allocation communicated to the bank in respect of that officer. In case the drawings in a particular month fall below the allocation for that month, the officer will be permitted to carry over such balance to the subsequent months, subject to the over all provision not being exceeded. The balance outstanding as at the close of the financial year namely, 31st March will however, stand lapsed.

137-A. *Annual report to be sent to Finance Department.*—The Chief Controlling Officers should submit annually in July each year to the Finance (BG) Department a certificate that the reconciliation of

Departmental figures with those of the Accountant-General up to March (Preliminary) accounts has been completed. The certificates of completion of such reconciliation in respect of transations booked by the Accountani General in March (Final and Supplementary) account should also be submitted to Government by 31st August each year. The Chief Controlling Officers should also indicate in the certificate the heads of accounts so reconciled.

CHAPTER IX.

REAPPROPRIATIONS AND SUPPLEMENTARY APPROPRIATIONS.

138. The preceding chapter described the procedure laid down for watching the progress of expenditure against the appropriations. The present chapter describes the action to be taken when necessary, as a result of this control of expenditure. It has to be remembered that an appropriation is operative only until the close of the financial year and that any unspent balance then lapses and is not available for utilisation in the following year.

SECTION I—SAVINGS IN APPROPRIATIONS.

139. The progress of expenditure month by month and careful assessment of the commitments and liabilities for the remaining part of the year may indicate savings in the appropriations shown against the several minor heads, sub-heads or detailed heads in the detailed budget estimates and grants. There are several possible reasons for such savings, such as, overbudgeting or postponement of or economy in expenditure.

140. All savings anticipated by the Chief Controlling Officers should be reported by them with full details and reasons to the administrative departments concerned of the Secretariat immediately after they are foreseen, unless these are required to meet anticipated requirements for additional funds under some other heads within the total allotment under the same minor head under his control. No amount out of savings should be held in reserve for meeting additional expenditure not definitely foreseen or already approved by the competent authority. The administrative departments should intimate such of the savings reported by the Chief Controlling Officers as may not required by them to the Finance Department which will resume the savings. Savings so resumed will be reallotted by the Finance Department if necessary, when dealing with applications for reappropriations or supplementary grants or appropriations.

SECTION II—REAPPROPRIATIONS.

141. Every Chief Controlling Officer is expected to see not only that the total expenditure is kept within the total grant or appropriation placed at his diposal but also that the expenditure under each unit of appropriation is kept within the amount originally provided under that unit. Transfer of funds from one unit to another, i.e., reappropriation however, sometimes becomes unavoidable.

142. Reappropriation is permissible only when it is known or anticipated that the appropriation for the unit from which funds are diverted will not be utilised in full or that savings can definitely be effected in it. It is both objectionable and irregular to sanction a reappropriation from a unit under which no savings are anticipated at the time of sanction in the expectation of restoring the original allotment under that unit later in the year by transferring to it savings that may then become available under others units.

143. Reappropriations are not permissible—

(i) from one Grant to another (e.g., between "Grant 18. Medical and Grant 19. Public Health");

(ii) from the Charged to the Voted section or vice-versa;

(iii) to provide for "new services and new instruments of service" whether voted or charged until such expenditure has been authorised by an Appropriation Act;

(iv) to increase or provide for the expenditure on an item the provision for which was specifically reduced or disapproved by the Assembly either through a substantive or a token cut;

(v) reappropriation is not permissible by heads of departments and departments of Secretariat between any two categories of the following five categories viz. centrally sponsored, central sector, non-plan schemes, State plan schemes, schemes financed by autonomous bodies; that is, no reappropriation between group sub-heads is permissible by heads of departments and departments of Secretariat;

(vi) after the close of the financial year.

144. As the Demands for Grants whether original or supplementary, placed before the Legislature are for gross expenditure without taking into account deductions on account of recoveries, credits on account of recoveries of expenditure must be ignored for the purposes of sanctioning reappropriation of funds or obtaining supplementary grants.

NOTE.—Rectification of misclassification of expenditure from one work to another need not be treated as 'recoveries' as such adjustments are necessary for correct presentation of works accounts. Such adjustments should normally be treated as reduction of expenditure. Similarly surplus stores or tools and plant returned from works or transferred from one work to another should be treated as reduction of expenditure. But the cost of released materials relating to renewals and replacement works or assets which are abandoned should be treated as recovered.

145. Reappropriations should invariably be in multiples of Rs. 1,000 in the case of expenditure in India and £ 50 or Rs. 1,000 in the case of transactions taking place in United Kingdom.

146. Reappropriation should be from one detailed head of appropriation to another. The sub-detailed heads of account if any included in the detailed head of appropriation should be ignored for this purpose. In respect of individual major works which figure

as sub-detailed heads in the PWD. Budget reappropriation shall be done by Finance Department up to the detailed head level only whereas the Chief Engineer shall issue reappropriation orders between sub-detailed heads subject to the conditions in paragraphs 143, 144, 145 and 147.

147. The Finance Department shall have power to sanction any reappropriation within a grant from one major, minor or subordinate head to another. The Chief Controlling Officers shall have full powers to sanction reappropriation within a grant subject to the conditions in paragraph 143 and provided that:—

(*a*) the expenditure is under the general control of the administrative department concerned or the general or direct control of the head of a department or authority sanctioning the reappropriation ; and

(*b*) the reappropriation does not involve the undertaking of recurring liability, that is a liability which extends beyond the financial year in question.

NOTE.—(1) Proviso (*b*) does not apply when the undertaking of the liability has already been sanctioned with the concurrence of the Finance Department and the reappropriation is made merely to give effect to the sanction.

NOTE.—(2) An example of the type of reappropriation that can be done by heads of departments is as follows. Under Demand 21, the Director of Fisheries is permitted to reappropriate from the head 312. aa. Direction and administration. I. Non-Plan—AC. Fisheries Engineering Staff Headquarters Establishment to 312. ac. Education and Training—I. Non-Plan AC. Training of Personal of the fisheries Department in departmental activities. He cannot however reappropriate from 312. aa. I. AC. to 312. aa. II. State Plan—JA. Planning and Propaganda.

Exceptions.—There are certain exceptions to the above rules of reappropriation. These exceptions are with special reference to the Public Works, Irrigation and Highways Departments.

(i) The final appropriation under the detailed head "minor works" executed by the Chief Engineer (Buildings) under the respective buildings sub-heads of different departments, should not execed the ceilings fixed for the departments in paragraph 44 of the Budget Manual.

(ii) While issuing reappropriation orders in respect of individual major works (sub-detailed heads) the Chief Engineers should ensure that the cumulative final appropriation over the years for a work does not exceed 10 per cent over the sanctioned estimate for that work.

(iii) The powers of the officers of the Public works, Irrigation and Highways Departments to sanction reappropriation are subject to the restriction that the reappropriation does not involve transfer of funds to a work which has not received the requisite administrative approval and technical sanction.

(iv) Reappropriation from the detailed head 'salaries' to the detailed head 'works' is not permissible in general.

148. The Chief Controlling Officers in the Forest, Public Works and Irrigation departments will be held responsible for ensuring that

the officers subordinate to them exercise properly the powers of reappropriation delegated to them and that no irregular reappropriations are allowed.

149. If the appropriation under a unit is reduced by reappropriation sanctioned by a competent authority or by resumption, the expenditure debitable to the unit should be restricted to the reduced appropriation. No authority subordinate to the one which sanctioned the reduction in the original appropriation may increase the appropriation in the exercise of its own powers of reappropriation, unless the previous consent of the authority which reduced the appropriation has been obtained. If the authority be the Government in the Finance Department, the sanction should be applied for when necessary, through the Government in the administrative department concerned.

150. Proposals for reappropriation which the Chief Controlling Officers are not competent to sanction should be submitted with two copies of reappropriation statements to the administratite departments of Secretariat which may sanction them if competent to do so or forward them to the Finance Department for sanction.

151. (i) When any reappropriation is sanctioned, the authority which accords the sanction should draw up its proceedings in Form M and forward one copy direct to the Accountant-General and one copy to the Government in the administrative department which will transmit it to the Finance Department. When the sanctioning authority is not the head of a department, these copies should be forwarded to the Government through the later.

(ii) An application to the Government for a reappropriation of funds should be prepared in Form N and the Head of the Department should submit it direct to the administrative department as a rule. Separate statements should be prepared for reappropriations relating to charged and voted expenditure respectively. When a Chief Controlling Officer controls the expenditure under more than one grant separate surrender and reappropriation statements should be submitted for each grant. The reasons for the additional expenditure and the savings should be explained clearly and fully on the reverse of the relevant form or in a covering letter. Vague expressions such as "based on actuals" "based on progress of expenditure", etc., should be avoided.

152. *Re-distributions.*—Re-distributions as between different sub-detailed heads under a detailed head which have not been declared as specific appropriations are not treated as reappropriations and need not therefore be communicated to the Accountant-General or to the Government in the administrative and Finance Departments. Such re-distributions may be sanctioned by Heads of Departments provided that the additional expenditure necessitating the re-distribution has been sanctioned by the competent authority.

SECTION III—EXPENDITURE NOT PROVIDED FOR IN THE BUDGET ESTIMATES.

153. (*a*) The appropriations against the several detailed-heads as shown in the original budget estimates should not ordinarily be exceeded. The estimates provide for all items of expenditure for the financial year as far as they can be foreseen and within the limit of available funds. Proposals for fresh expenditure not provided for in the estimate in the course of the year are therefore not justified in ordinary circumstances and should not be made, unless there are very special reasons.

(*b*) Unavoidable and unforeseen circumstances may, however sometimes arise in the course of a financial year making it necessary to incur urgently fresh expenditure under one or more sub-heads or to incur expenditure on a "New Scheme" not contemplated in the original budget estimates. In such cases, the procedure for providing the requisite funds is as follows :—

(1) Savings in other appropriations by postponement or curtailment of less urgent expenditure included in the same grant (charged or voted portion as the case may be) may be reappropriated for the purpose except when the additional expenditure is on account of a 'New Service'.

(2) If the above mentioned course is not possible, a supplementary statement of expenditure should be presented to the Legislature, as laid down in Article 205 of the Constitution.

(*c*) It is in all cases the duty of the Controlling Officer who for special reasons desires to incur in the course of a year fresh expenditure not provided in the budget estimates for the year to examine carefully whether the fresh expenditure cannot be offset by the postponement or curtailment of less urgent expenditure for which provision has been made.

(*d*) (1) The approval of the Legislative Assembly to any additional expenditure over the amount voted by it for gross expenditure in a grant will be taken by means of a supplementary grant.

(2) In respect of expenditure charged on the revenues the Finance Department will sanction the necessary appropriation of funds to cover excessess in the gross charged expenditure under the grant.

(*e*) Expenditure on a "New Service" or a "New Instrument of Service" not contemplated in the Budget estimates for the year should not be incurred whether the expenditure is charged or voted and whether it can be met by reappropriation or not until it is included in a supplementary statement of expenditure presented to the Legislature and

eventually in an Appropriation Act. If the expenditure can be met from the savings within the grant wholly, or in part it will be sufficient if a token sum of Rs. 1,000 or the balance actually required, as the case may be, is included in the supplementary statement of expenditure.

(*f*) Pending the authorization of funds by the Legislature in the manner indicated above, an advance may be sanctioned by the Governor, from the Tamil Nadu Contingency Fund to enable urgent expenditure being incurred on a " New Service " or a " New Instrument of Service " or on an " existing service ". The rules relating to sanction of advances from the Contingency Fund and the accounting procedure will be found in Appendix G. When a proposal involving new expenditure not contemplated in the budget estimates but not on a " New Service " is submitted to the Government and the expenditure can be met by reappropriation, funds should not be provided by reappropriation in anticipation of the Government's sanction to the proposal, since if the sanction is not given or is delayed, the funds so provided will lapse wholly or in part. In order to avoid such lapses, the applications for sanction to the expenditure and for reapprorpiation of funds should be submitted together.

(*g*) When an additional appropriation is required urgently in a case not involving a new service and no savings are foreseen, the authority concerned should apply to the administrative department of the Government for permision to incur the expenditure. That department, may, with the concurrence of the Finance Department, sanction or authorise the incurring of the expenditure and inform the Accountant-General, that provision will be made later either by reappropriation or, if this proves impracticable, by placing before the Legislature in due course a supplementary statement of expenditure. Where considered necessary an advance may be sanctioned from the Tamil Nadu Contingency Fund to cover the expenditure, pending the authorization of funds by the Legislature. The Controlling Officer in respect of the expenditure will be responsible for seeing that the required funds are provided at least before the end of the year. He will be held responsible if a supplementary appropriation obtained on his recommendation is found to have been unnecessary.

NOTE.—The Government will decide whether additional expenditure proposed in the course of a year is expenditure on a new service or not with reference to the rulings of the committee on Public accounts on the subject incorporated in Chapter X.

SECTION IV—SUPPLEMENTARY ESTIMATES.

154. A supplementary grant or appropriation is an addition to the total authorised grant or appropriation for a financial year and has to be obtained in the manner prescribed in Article 205(1) (*a*) of the Constitution, passing through the same stages of legislative procedure as the original grant or appropriation.

155. (*a*) Supplementary grants or appropriations are required in the following cases :—

(i) when the amount included in a grant or appropriation (voted or charged) authorised by the Appropriation Act is found to be insufficient for the year ; or

(ii) when need has arisen for incurring expenditure whether voted or charged, upon some " New Service ", " New Instrument of Service " or New Scheme not contemplated in the Appropriation Act for the year even though it can be met wholly or in part by reappropriations within the amount authorised under the Grant or the Appropriations ; or

(iii) when it is desired to obtain the prior approval of the Legislature to a scheme involving large financial commitment even though little or no expenditure on that account is anticipated, in the current year.

(*b*) In cases falling under clause (ii), a token sum of Rs. 1,000 or the amount actually required, as the case may be, should be included in the supplementary statement of expenditure while in cases falling under clause (iii) only a token sum of Rs. 1,000 need be included.

(*c*) The supplementary estimate should include all "New Services" sanctioned in the course of the current year for which the approval of the Legislature has not been obtained. The reason why each scheme is dealt with as a " New Service " should be specifically mentioned in the Explanatory Note. The salient features of the scheme sanctioned by the Government, with the details of estimated cost, the place of execution of the scheme, expenditure during the current year and the nature of expenditure like Revenue, Capital Loan should also be furnished in the note. These notes should cover also items of *Charged* expenditure by way of payment by the Government of costs awarded by courts for which advances have been or are proposed to be sanctioned from the Contingency Fund and any other item of *Charged* expenditure for which additional appropriation is required. After acceptance by the Finance Department, four clean copies of each Explanatory Note typed neatly on single page, should be sent to the Finance Department not later than 25th February of every year. A copy of the Government Order sanctioning the scheme should also be enclosed along with the notes for final Supplementary Estimates. It will not be *possible for the Finance Department to take into account copies of note on Supplementary Estimates, or corrections to the Supplementary Estimates, which are received after the 25th February of every year. The Departments which fail to send proposals in time, may be called up on by the Public Accounts Committee later to account for their default.*

156. If a supplementary estimate is for increased provision in respect of a sanctioned object, the authority concerned should show—

(*a*) that the need for the increased provision could not be foreseen the time when the original departmental estimate was framed ; and

(*b*) that in the absence of such provision injustice would be caused to some person not at fault or serious inconvenience or serious loss or damage would be caused to public service. A supplementary estimate for increased provision will not be presented unless condition (*b*) is fulfilled. Failure to fulfil condition (*a*) [whether condition (*b*) is fulfilled or not] is a financial irregularity and may involve a report to the Committee on Public Accounts.

157. If a supplementary estimate is required for some new expenditure not contemplated in the budget, the authority concerned must show either—

(*a*) that the expenditure has been newly imposed by Statute, or by order of a Court of Law, or other competent authority ; or

(*b*) that urgent necessity has arisen for the proposed expenditure the postponement of which would (i) involve extra expenditure ultimately, or (ii) be administratively impossible or would be against any accepted policy.

The Finance Department must necessarily agree to the presentation of supplementary estimate in case (*a*), while in case (*b*) its presentation will depend on the urgency of the proposed expenditure.

158. The principles enunciated in paragraphs 156 and 157 apply also to an application for a supplementary estimate in respect of any demand to which the Legislative Assembly has previously refused its assent or the amount or which the Assembly has reduced either by a reduction of the whole grant or by the omission or reduction of any of the items of expenditure of which the grant is composed.

159. The primary responsibility in regard to proposals for supplementary grants or appropriations rests on the Chief Controlling Officer who should explain clearly in each case not only why a supplementary grant or appropriation is required but also why the need could not be foreseen at the time when the original budget estimates were framed. In explaining the proposals, it should be clearly explained in detail whether specific conditions as prescribed under paragraphs 156 and 157 as may be relevant are strictly fulfilled. If it is under clause (*b*) of paragraph 157 the authority concerned should explain the necessity and the urgency of the proposed expenditure and also why it is not administratively possible to postpone it. Greatest care should therefore be taken in submitting such proposals. It must be carefully understood that if after the close of the financial year it is revealed that any supplementary grants or appropriations obtained were unnecessary or excessive, the officers at fault will be held responsible for the financial irregularity to which the Accountant-General is bound to draw attention in the Audit Report on the Appropriation Accounts which will come up before the Legislature and the Public Accounts Committee in due course.

160. (*a*) Proposals for supplementary grant/appropriations should be submitted to the Government in the administrative departments concerned as and when the necessity arises except those relating to the transaction taking place in United Kingdom in respect of which proposals will be forwarded direct to the Finance Department by the High Commissioner for India. The administrative departments will examine the proposals received by them and forward them with their recommendations to the Finance Department. Proposals received direct by the Finance Department will be referred to the administrative departments concerned for their remarks, and the administrative department will ask the Chief Controlling Officer of the grant concerned, if necessary, for his opinion as to whether the application may be complied with. If a supplementary appropriation is required solely on account of the insufficiency of the original appropriation placed at the disposal of the Chief Controlling Officer concerned, and if there are savings resumed and held under the grant concerned which the Chief Controlling Officer was not aware of, the Finance Department will, if convinced of the necessity for the supplementary appropriation, sanction it by reappropriation from these savings. If there are no such savings, the procedure prescribed for laying before the Legislature supplementary statements of expenditure will be followed.

(*b*) Copies of all sanctions accorded by the Finance Department and of the Appropriation Act pertaining to the supplementary statement of expenditure will be communicated to the Accountant-General, the administrative department and the Chief Controlling Officers concerned in all cases ; orders relating to expenditure in England will also be communicated to the High Commissioner for India or the Accountant-General, Commonwealth Relations Office, as the case may be and to the Director of Audit, Indian Accounts in the United Kingdom London.

161. (*a*) Resumption of savings, reappropriations and supplementary appropriations may be authorised by the competent authority *up to and including of the last day of the financial year* concerned, but not after its expiry. The latest dates by which proposals that require the sanction of the Government should reach the Government are as shown below :—

(1) Receipt in the Finance Department of proposals from the High Commissioner for India in London, 25th January. Further modifications should, if necessary, be intimated by cable before the 25th February.

(2) Receipt in the administrative department of proposals from Chief Controlling Officers (other than the High Commissioner for India) and from local bodies in the case of proposals to be submitted by them—15th February.

(3) Receipt in the Finance Department from the administrative department—25th February.

(4) In the case of savings relating to special itmes (e.g., expenditure on land acquisition, payment of cost of materials and disbursement of grants-in-aid) which could not be foreseen earlier, surrenders may be made to the Finance Department up to the 20th March, if the amount involved exceeds Rs. 10,000 or 10 per cent of the final appropriation, whichever is greater under the concerned detailed head of appropriation.

(5) In exceptional cases, Finance Department may be advised of further savings up to the 31st March, if the amount involved under the detailed heads of appropriation concerned exceeds 10 per cent of the final appropriation or rupees one lakh, whichever is greater.

(*b*) When proposals for surrenders are made later i.e., after the 20th March, but before 31st March, full explanations should be given as to why the savings could not be foreseen earlier.

(*c*) Proposals for surrender which are received very late run the risk of not being accepted by the Finance Department, even if there are adequate reasons, as resumption orders cannot be issued by the Government after the 31st March. All proposals for surrender of savings should, therefore, be sent to the Finance Department as soon as they are foreseen and officers who make any belated surrender which could have been made earlier will be held personally responsible for the irregularity. Proposals received after the prescribed dates will not be considered by the Finance Department.

Note.—The Cheif Engineer for Irrigation should send to the Government in the Finance Department not later than the 25th February every year a statement showing the estimated capital outlay on Irrigation in the year.

SECTION V—EXCESSES OVER THE FINAL GRANTS/APPROPRIATIONS FOR A FINANCIAL YEAR.

162. (*a*) The 15th February has been fixed as the latest date for submission of application to the Government by the Controlling Officers for surrender of savings in appropriations and for reappropriations and supplementary appropriations. The Heads of Departments are requested to ensure that all liabilities on accounts of supplies made or services rendered by other Government departments, private bodies, etc., are provided for in their proposals for final modification of funds and that every effort is made to utilise the additional provision made, by promptly getting into touch with those who made the supplies, or rendered the service. Similar action should also be taken in respect of sums recoverable from other Governments, private bodies, etc., for service rendered or supplies made to them by Departments of this Government. While it is the duty of a supplied department to arrange to debit itself and pass on the credit to the supplying department, it is equally the duty of the Chief Controlling Officers to remind the supplied department where necessary and see that a debit is raised in time and adjusted so as to avoid lapses of the funds provided for the purpose. This should

enable them to formulate their final requirements for the year on the basis of the actual expenditure in the first nine or ten months and the anticipated requirements of the remaining months of the financial year. Savings or excesses remaining unregularised at the end of the year should occur only very rarely, if at all, and cannot as a rule be justified, unless they are due to circumstances beyond the control of the departmental officers concerned, e.g., the incurring of inevitable or emergent expenditure which could not have been foreseen. Such expenditure should not be carried over to the subsequent year, solely on the ground of absence of budget provision.

(*b*) In order to make sure that all proposals for final modification of funds to reach the administrative department of the Secretariat concerned and the Finance Department, the Heads of departments are requested to obtain proper acknowledgment for the papers delivered at the Secretariat and in important cases, send a demi-official reminder after a week enquiring whether action is being taken and watch the receipt of reply. The administrative department of the Secretariat should, on receipt of a copy of the proposals from the head of a Department, verify whether another copy has been received in the Finance Department and action is being taken thereon. They should also watch the receipt of the final orders from the Finance Department and send reminders, wherever necessary. The copy of a communication received from the head of a department in this regard should *not* be ' lodged ' on the assumption that the Finance Department will issue orders in due course or, ' transferred ' finally to the Finance Department for disposal.

(*c*) The excess over a Grant as a whole is unconstitutional and should be avoided by sending in time proposals to cover the anticipated excesses either by reappropriation or supplementary appropriation. Chief Controlling Authorities should take every effort to anticipate the excesses and to cover them well in time.

163. (*a*) The final grant/appropriation and the actual expenditure in the year under each group head (group of detailed heads of appropriation) under each grant/appropriation is indicated in the grant statements prepared by the Accountant-General and forwarded to the Chief Controlling Officers for the acceptance of figures. Important cases of variations between the grant/ appropriation and the actual expenditure under the group heads are included in the Appropriation Accounts for the year together with the explanations furnished by the Controlling Officers and audit comments, if any, thereon.

(*b*) The Accountant-General also mentions in his "general review of the results of appropriation audit and control over expenditure" included in the Audit Report—

(i) cases of excesses or saving in grants/appropriations as a whole ; and

(ii) individual cases of variations indicative of—

(*a*) defective budgeting ;

(*b*) injudicious or inadequate reappropriation ;

(*c*) non-surrender of savings ; and

(*d*) omissions to cover excess expenditure.

164. Detailed instructions for dealing with draft paragraphs for inclusion in the Appropriation Accounts are outlined in paragraph 182.

SECTION VI—DEMANDS FOR EXCESS GRANTS.

165. Under clauses 1 (*b*) and 2 of Article 205 of the Constitution, if any money has been spent on any service during a financial year in excess of the amount granted for that service and for that year, demand for such excess amount has to be presented to the Legislature and is to be dealt with in the same way as if it were a demand for grant.

166. A demand for an excess grant differs from a demand for a supplementary grant in that, while the latter is essentially a demand for a grant the need for which is foreseen during the currency of a year and is presented in the year to which it relates, a demand for an excess grant is presented to regularise expenditure incurred in excess of the grant made in a particular year. A demand for an excess grant can be laid before the Legislative Assembly only after all the expenditure of the year has been audited and the Appropriation Accounts of the year have been compiled by the officers of the Comptroller and Auditor-General of India and considered by the Committee on Public Accounts. The work of compilation of the Appropriation Accounts by the Accountant-General and their consideration by the Committee on Public Accounts however take some time. In practice, therefore, it is not possible to present a demand for an excess grant until about two years after the expiry of the financial year to which it relates and until the recommendations of the Committee on Public Accounts are received.

167. The same principles and procedure apply to an excess in the total appropriation for charged expenditure under the heads of account included within a grant or under the separate charged appropriations relating to "Interest on debt and other obligation" and "Reduction or avoidance of debt", the only difference being that an excess in respect of charged expenditure does not require the vote of the Assembly.

CHAPTER X.

FINANCIAL PROCEDURE RELATING TO NEW SCHEMES TO BE INTRODUCED IN THE COURSE OF THE FINANCIAL YEAR

168. No Government servant may incur any item of expenditure from the public funds unless sufficient funds have been provided for expenditure in the Appropriation Act for the financial year or by re-appropriation of funds. Normally provision for schemes of new expenditure will be made only in the main Budget taking into account the available resources after providing for all existing sanctions and the relative priority of schemes of new expenditure. Sometimes proposals for new schemes are sent to the Finance Department so late in the year that it is not possible for that Department to examine them completely in detail. In the case of proposals forming part of the Five-Year Plan requiring approval of the Government of India, the approval is not obtained in time or details are not finalised in time so as to include provision for them in the budget. Such schemes may be considered to be so urgent and essential that they new cannot wait for the next budget day for being sanctioned. Similarly new developments may take place in the course of a financial year necessitating sanction of new schemes rendered unavoidable till the next budget. Such schemes are sanctioned in the course of the financial year depending upon the urgency and importance of the schemes. These sanctions cover a wide range from petty items like a typewriter to an office to large items like an irrigation project. Strictly all such sanctions should be ratified by the Legislature, but in the nature of things, it is not possible to move a supplementary demand in the legislature on every item. The Public Accounts Committee of the Legislature has, therefore, laid down rules classifying the items on which the separate vote of the Legislature should be obtained as " New Services " or " New Instrument of Services".

169. (*a*) The scheme of new expenditure sanctioned in the course of financial year will be of three categories :—

(i) New Service ;

(ii) New Instrument of Service ; and

(iii) Other New Schemes.

(*b*) Expenditure on a new scheme will become a " New Service " if it exceeds the monetary limits laid down by the Public Accounts Committee and if similar category or type of expenditure has not been voted by the Legislature in the past, e.g., expenditure on a Nuclear Research Institute.

(c) Expenditure on a new scheme will become a " New Instrument of Service " if it exceeds the monetary limits laid down by the Public Accounts Committee as in the case of New Services but similar category or class of expenditure has been voted by the Legislature in the past, e.g., opening of an additional hospital or school. All other schemes the expenditure on which is within the monetary limits laid down by the Public Accounts Committee will be new schemes.

(d) In the case of items (i) and (ii) the specific approval of the Legislature is necessary and this is obtained through a token provision of Rs. 1,000 in each case if sufficient savings within the grant are available or through full amounts if no Savings are available. In the case of item (iii) the specific approval of the Legislature for each scheme is not necessary except to the extent savings could not be found from funds already voted in the general budget under the appropriate head.

170. (a) The criteria for classifying the schemes of new expenditure as "New Service" or "New Instrument of Service" or other New Schemes as laid down by the Public Accounts Committee are shown below :—

Nature of expenditure.	*Limits as revised.*
(1)	(2)
I Expansion of staff in existing departments—	
(i) Employment of additional staff when it arises out of the adoption of a new policy by the Government i.e., the sanction or increase of the cadres of service or number of posts of a particular kind (either permanently or as a purely temporary measure), e.g., sanction of an additional Revenue Inspector or an Accountant in each of the taluk offices consequent on the introduction of a new scheme of Governmental activity like the Community Development Project.	When the cost exceeds Rs. 2 lakhs per annum (recurring) or Rs. 3 lakhs (non-recurring) taking the scheme as a whole, it will be treated as a scheme of " New Service ". (The entire cost of establishment, building, equipment, other amenities, etc. should be taken into account for the purpose of this limit).
(ii) Employment of additional staff for the expansion of an existing service, i.e., expenditure on a New Instrument of Service, like the opening of a new school or the starting of a new scheme in the Industries Department, Animal Husbandry Department, etc., though similar schemes are already under operation.	When the cost exceeds Rs. 2 lakhs per annum (recurring) or Rs. 3 lakhs (non-recurring) taking the scheme as a whole, it will be treated as a scheme of 'New Service'. (The entire cost of establishment, building, equipment, other amenities, etc., should be taken into account for the purpose of this limit).—New Instrument of Service.

Nature of expenditure.	*Limits as revised.*
(1)	(2)
(iii) Employment of additional staff for reorganisation of an existing administrative unit such as the bifurcation of a Revenue or a Police District or the creation of a new administrative unit, etc., e.g., a New Public Works Circle.	*Note.*—The following classes of expenditure need not be treated as "New Service". (i) Employment of additional staff for a purely temporary need for a specific period during a financial year if the cost does not exceed Rs. 2 lakhs recurring or Rs. 3 lakhs non-recurring. (ii) Employment of additional staff for normal increase of work involving no change in policy or the sanction of any new scheme.
2 Works	When the cost of a new work exceeds Rs. 5 lakhs in regard to the expenditure on works relating to new schemes which involve expenditure on staff, equipment, etc., the cost of the scheme as a whole should be taken into account for this monetary limit.
3 Expenditure to be met from lump-sum provision in the Budget.	When the cost ecxceeds Rs. 5 lakhs.
4 Tools and Plant	(i) Individual purchase need not be treated as a New Service irrespective of cost so long as there is specific provision in the Budget. (ii) Where specific provision is not included in the Budget, when the cost exceeds Rs. 2 lakhs the purchase of tools and plant will constitute a New Service.
5 Expenditure on new objects and purposes.	When the expenditure is estimated to exceed Rs. 50,000 recurring or Rs. 1 lakh non-recurring.
6 Committee constituted by the Government from time to time.	When the expenditure is estimated to exceed Rs. 50,000 per annum recurring or Rupees one lakh non-recurring.
7 Grants and contributions ..	When the amount involved exceeds Rs. 50,000 recurring or Rs. 1·5 lakhs non-recurring. Grants-in-aid, contributions the like of which has not been voted in the past, if it exceeds Rs. 50,000 recurring or non-recurring.
Revision of scales of pay ..	When the revision of a scale or scales of pay involves an extra cost of over Rs. 5 lakhs per annum.

Nature of expenditure.	*Limits as revised.*
(1)	(2)
9 Experiments, Investigations and Demonstrations.	When the expenditure is estimated to exceed Rs. 1 lakh recurring or Rs. 2 lakhs non-recurring. *Note.*—All expenditure of this character incurred each year without fruitful result should be reported to the Accountant-General for incorporation in the Appropriation Accounts with suitable explanation for report to the Public Accounts Committee in due course. For this purpose each department of the Secretariat should send a consolidated statement of such expenditure to the Finance Department every year by the 31st May. 'Nil' return also should be sent to the Finance Department.
10 Loans to Government Companies, Local Funds, Private Parties, etc.	If the total amount of loan granted exceeds the original Budget Provision by Rs. 5 lakhs or 10 per cent whichever is higher. Expenditure on loans, the like of which has not been incurred in the past.
11 Investments in Government Companies and Departmental Undertakings.	(i) Setting up of a new Government Company or Amalgamation of two or more Government Companies will constitute New Service. (ii) Additional investments in an existing departmental undertaking of Rs. 25 lakhs and above. (iii) Additional investments in an existing Government Company of Rs. 5 lakhs and above in case of companies with a paid up capital of Rs. 1 crore and below and Rs. 10 lakhs and above in case of companies with a paid up capital of more than Rs. 1 crore.
12 Investments in Private Sector Companies and Private Institutions by Government.	(i) Investments in share capital of private sector companies/private institutions to be made for the first time whatever the magnitude will constitute a New Service. (ii) Additional Investments in share capital to existing private sector companies/private institutions of Rs.5 lakhs and above in case of companies with a paid up capital of Rs. 1 crore and below Rs. 10 lakhs and above in case of companies with a paid up capital of more than Rs 1 crore.
13 Ways and Means Advances ..	Need not be treated as a New Service nor covered by advance from the Contingency Fund; but they must be brought to the notice of the Legislature in the next session.

Noture of expenditure. (1)	*Limits as revised.* (2)
14 Subsidy involved in concessional sales such as sale of raw materials to private institutions at concessional rates, subsidised sale of pesticides, agricultural implements, etc.	The Public Accounts Committee has recommended that a subsidy should be shown as a separate sub-head under the Demand concerned. Details regarding the extent of subsidy, Commodities involved and the reasons for the subsidy should be mentioned in the Budget Memorandum for the information of the Legislature. Government consider that a subsidy when introduced for the first time becomes a New Service if it satisfies the definition and criteria under expenditure on New objects and purposes viz., it exceeds Rs. 50,000 recurring or Rs. 1 lakh non-recurring. (ii) Additional subsidy caused by increase in the rate of subsidy, extension of scheme to more areas, etc., should be treated as New Instrument of Service requiring the approval of Legislature if it exceeds:— (*a*) Rs. 5 lakhs in the case of subsidies which are passed on to the Public. (*b*) Rs. 2 lakhs in cases where the beneficiaries are institutions.
15 Changes in classification of expenditure.	Expenditure on existing service under one head but involving provision of funds under a different head within the same section due to change in classification of expenditure need not be considered as expenditure on New Service. *Explanation.*—Where provision for an existing service has been made either in the Revenue, Capital or loan section and it is proposed to change the character of service by transferring it from the existing section to any other section it will constitute a New Service/New Instrument of Service if the limits prescribed for such expenditure are exceeded. *General.*—Cases already approved by the Legislature, but where the expenditure is subsequently expected to exceed appreciably the amount originally intimated to the Legislature need not be treated as New Service. But information regarding large variations should be given in the Budget Memorandum full information should be furnished to the Finance Department by the Departments of the Secretariat in time for incorporation in the Budget Memorandum. (G.O. Ms. No. 1550, dated 4th December 1972).

(*b*) When the estimated cost of a scheme, whether new or extension of an existing scheme, is within the monetary limits mentioned above they are New Schemes. In addition, the following schemes will be treated as New Schemes and not as New Services—

(i) Employment of additional staff for a purely temporary need for a specific period during a financial year if the cost does not exceed Rs. 2 lakhs recurring or Rs. 3 lakhs non-recurring.

(ii) Employment of additional staff for normal increase of work involving no change in policy or the sanction of any new scheme.

(iii) Irrespective of the cost on the individual purchase of Tools and Plant when there is specific provision in the Budget.

(iv) Ways and Means Advances, but they must be brought to the notice of the legislature in the next session.

(v) Expenditure on existing service under one head but involving provision of funds under a different head within the same section due to change in classification of expenditure.

(vi) Cases already approved by the Legislature but where the expenditure is subsequently expected to exceed appreciably the amount originally intimated to the Legislature.

Note.—But information regarding large variation should be given in the Budget Memorandum. Full information should be furnished to the Finance Department by the Departments of Secretariat in time of for incorporation in the Budget Memorandum.

(*c*) All New Works (Non-new service) costing Rs. 50,000 and above sanctioned in the course of the year and not provided for in the original budget should be reported to the Legislature by mentioning in the annexure to Supplementary Estimates.

(*d*) All cases of transfer of gift of Government Property of a value exceeding Rs. one lakh to autonomous bodies, other Governments, etc. should be brought to the notice of the Legislature by inclusion in the Budget Memorandum.

171. The Government will not be prepared to sanction a "New Service" or a "New Instrument of Service" for introduction in the course of a financial year unless it is satisfies one of the following criteria :—

(i) It is so essential that delay in sanctioning it is likely to cause break-down in the machinery of administration.

(ii) it is highly remunerative.

(iii) it relates to additional staff required very urgently for a project (i.e., large construction work), already sanctioned ;

(iv) delay in sanctioning it, is likely to cause permanent loss of revenue to Government ;

(v) It is Centrally-sponsored or Central sector scheme which is, therefore, financed by Government of India.

172. The following classes of schemes to be introduced in the course of a financial year should be referred to the Standing Finance Committee of the Cabinet and then to the Cabinet before orders sanctioning the schemes are issued :—

(*a*) All schemes of new expenditure treated as " New Service " or, " New Instrument of Service ".

(*b*) Schemes involving expansion of staff in the existing departments when the cost of staff exceeds Rs. 75,000 per annum recurring or if it exceeds Rs. 2,00,000 non-recurring.

(*c*) Schemes involving works when the cost of works exceed Rs. 2,50,000 non-recurring.

(*d*) Schemes involving purchase of Tools and Plants and cost of such purchase exceeds Rs. 1,00,000 non-recurring.

(*e*) Schemes involving the constitution of a committee and cost thereof exceeds Rs. 10,000 per annum recurring or if it exceeds Rs. 30,000 non-recurring.

(*f*) Schemes involving sanction of Grants-in-aid and Contributions and the cost of such Grants-in-aid and Contribution exceeds Rs. 35,000 per annum recurring or if it exceeds Rs. 1,00,000 non-recurring.

(*g*) Schemes involving sanction of Grants-in-aid and contributions the like of which has not been voted in the past and if the cost exceeds Rs. 35,000 recurring or non-recurring.

(*h*) Schemes involving revision of scales of pay and allowances when the cost exceeds Rs. 2,00,000 per annum recurring.

(*i*) Schemes relating to Experiments, Investigations and Demonstration when the cost exceeds Rs. 75,000 per annum recurring or if it exceeds Rs. 1,50,000 non-recurring.

(*j*) Schemes involving additional investments exceeding Rs. 2,00,000 in an existing Government Company with the paid up capital of Rupees one crore and below.

(*k*) Schemes involving additional investments exceeding Rs. 5,00,000 in cases where the paid up capital of the existing Government Company is more than one crore.

(*l*) Schemes involving additional investments exceeding Rs. 10,00,000 in an existing Departmental Undertaking.

(*m*) Schemes involving additional investments exceeding Rs. 2,00,000 in the existing private sector Companies and Private Institutions with the paid up capital of Rupees one crore and below.

(*n*) Schemes involving additional investment exceeding Rs. 5,00,000 in the existing Private Sector Companies and Private Institutions with paid up capital of more than Rupees one crore.

(*o*) Schemes relating to subsidy in concessional sales such as sale of raw materials to Private Institutions and sale of Pesticides, Agriculture implements, etc., exceeding Rs. 2,00,000 in the cases where additional subsidy is passed on to Public and exceeding Rs. 1,00,000 in cases where the additional subsidy is passed on to institutions.

(*p*) Schemes involving the abandonment of existing revenue when the amount of revenue to be foregone exceeds Rs. 25,000 per annum recurring or Rs. 1,00,000 non-recurring when the scheme involves a change of policy.

Exceptions—

(i) *Recoverable expenditure.*—Schemes of new expenditure, which are not treated as "New Service" or "New Instrument of Service" and the cost of which is fully recoverable from another Government, local body or private body or individual whatever be the amount of expenditure to be incurred initially by the Government.

(ii) *Rural Welfare Scheme.*—Schemes to be fianced from the Fund for Village Reconstruction and Harijan Uplift.

(iii) *Grow More Food Schemes.*

(iv) *Remissions of Revenue.*—Proposals for remission of revenue to be sanctioned in accordance with an established policy.

173. *Procedure for sanction.*—The Administrative Departments of the Secretariat concerned with each scheme should, after the examination of the scheme by the Finance Department take orders in circulation to the Minister or Ministers concerned, the Minister for Finance and the Chief Minister. If it is decided that the scheme should go

before the Standing Finance Committee, the department concerned should prepare a summarising note which should contain all details regarding the scheme including the full financial implication in the following form :—

SUMMARY OF COST.

Major Sub-major head of account.	*Minor, Sub-head, Detailed and Sub-detailed head of account.*	*Ultimate cost.* *Recurring.*	*Ultimate cost.* *Non recurring.*	*Cost in the year of Introduction.*
(1)	(2)	(3)	(4)	(5)
	RS.	RS.	RS.	RS.

NOTES.—(i) The estimate of cost in the year of introduction should be based on the best estimate possible of the probable date of introduction and other relevant factors. The ultimate cost should be worked out on the basis of the average pay in regard to new staff.

(ii) A Statement should be annexed at the end of the note showing—

(*a*) Budget provision under the major head of account ;

(*b*) Actual expenditure to the end of last month for which figures are available under the major head of account ;

(*c*) Estimate of extra expenditure on the scheme under consideration in the current year ;

(*d*) Savings in the budget provision for other items included in the major head ;

(*e*) Total commitment in the year under the major head of account of new schemes (not provided for in the budget) sanctioned since the beginning of the financial year up to the end of the preceding month ; and

(*f*) Total commitment in the year under all major heads (in the Revenue Section or the Capital Sections as the case may be) on account of the new schemes (not provided for in the budget) sanctioned since the beginning of the financial year up to the end of the preceding month.

(*b*) The summarising note should also incorporate the views of the administrative departments and the Finance Department and the views of the Minister or Ministers concerneo and the Minister in-charge of Finance. The draft note should be sent to the Finance Department for acceptance. Copies of the note as finally approved should be circulated to all the Ministers and the connected file with four spare copies of the note sent to the Secretary to the Standing Finance Committee, i.e., the Deputy Secretary, Finance Department. The Secretary to the Committee will intimate to all departments the date, time and place of each meeting of

the Committee as soon as it is settled. He will arrange to refer to the Committee from time to time such of the cases received by him upto the week previous to the date fixed for the next meeting as are selected by the Chairman for inclusion in the agenda. After a scheme has been considered by the Committee the file will be returned to the administrative department concerned with the recommendation of the Committee recorded on it by the Secretary to the Committee. The department of the Secretariat concerned should then take necessary action to refer the scheme to the Cabinet for approval at its next meeting, before final orders are issued except in every urgent cases.

(*c*) In very urgent cases, when there is no time to refer a scheme to the Cabinet, orders may be issued without such a reference provided that the Standing Finance Committee is unanimous about the urgence of the scheme and the necessity for it. In such cases the departments, summarising note should contain full reasons as regards the urgency. If there is any difference of opinion among the members of the Committee about the necessity and urgency of a scheme the case should be referred to the Cabinet before the issue of orders. As soon as the recommendation of the Standing Finance Committee approving the scheme has been obtained a note marked "Special" intimating the decision of the Committee should be circulated to each of the Minister who had not seen the case or who are not members of the Committee. A copy of this note together with a copy of the note placed before the Standing Finance Committee should at the same time be furnished to the Chief Secretary. The circulation of this note should not be delayed even when the draft order has to be seen by other departments of the Secretariat before issue.

174. *Short Circuit Procedure.*—In respect of schemes relating to Central Sector, Centrally-sponsored (i.e., Schemes which are fully financed by Government of India) and schemes relating to natural calamities, the Department of Secretariat concerned should, after examination of the scheme by the Finance Department, take orders in circulation to the Minister or Ministers concerned, Minister in-charge of Finance and the Chief Minister. Sanction for all other new schemes i.e., schemes other than those relating to Central Sector Centrally-sponsored and natural calamities will be accorded only in the Standing Finance Committee meetings to be held periodically. Orders may then be issued without referring the case to the Standing Finance Committe if that course has been approved by all the Ministers to whom the case was circulated. As soon as orders have been issued sanctioning a scheme adopting this " Short Circuit Procedure " the summarising note marked " Special " explaining the nature of the scheme and its extreme urgency and the amount of expenditure involved should be circulated to each

member of the Standing Finance Committee who did not see the case when orders were obtained on it and all other Ministers who had not seen the case and the Chief Secretary and the Finance Department.

175. *Procedure in cases not requiring a reference to the Standing Finance Committee.*—In cases of new schemes which do not require a reference to the Standing Finance Committee, the Administrative Departments of Secretariat concerned should take orders in circulation to the Minister or Ministers concerned, Minister in-charge of Finance and the Chief Minister as the case may be as shown below :—

Serial number and items of expenditure. (1)	*Monetary limits.* (2)	*Circulation up to.* (3)
1. Expansion of staff in the existing Departments—		
(i) Recurring	1. Rs. 10,001 to Rs. 25,000 ..	1. Concerned Ministers*
	2. Rs. 25,001 to Rs. 50,000 ..	2. Minister in-charge of Finance.
	3. Rs. 50,001 to Rs. 75,000 ..	3. Chief Minister.
(ii) Non-recurring ..	1. Rs. 50,001 to Rs. 1,00,000	1. Concerned Ministers*
	2. Rs. 1,00,001 to Rs. 1,50,000	2. Minister in-charge of Finance.
	3. Rs. 1,50,001 to Rs. 2,00,000	3. Chief Minister.
2. Works (Non-Recurring)	1. Rs. 10,001 to Rs. 25,000 ..	1. Concerned Minister*
	2. Rs. 25.001 to Rs. 1,00,000	2. Minister in-charge of Finance.
	3. Rs. 1,00,001 to Rs. 2,50,000.	3 Chief Minister.
3. Tools and Plant (Non-recurring).	1. Rs. 10,001 to Rs. 25,000 ..	1. Concerned Minister*
	2. Rs. 25,001 to Rs. 50,000 ..	2. Minister in-charge of Finance.
	3. Rs. 50,001 to Rs. 1,00,000.	3. Chief Minister.

*Where Finance Department does not agree or where Finance specifically asks for reference to the Minister in-charge of Finance, circulation to the Minister in-charge of Finance shall be obligatory in all cases.

Serial number and item of expenditure.	*Monetary limits.*	*Circulation up to.*
(1)	(2)	(3)
4. Expenditure on new objects and purposes—		
(i) Recurring ..	1. Rs. 5,001 to Rs. 10,000 ..	1. Concerned Minister *
	2. Rs. 10,001 to Rs. 25,000.	2. Minister in-charge of Finance.
	3. Rs. 25,001 to Rs. 50,000.	3. Chief Minister.
(ii) Non-recurring ..	1. Rs. 10,001 to Rs. 25,000.	1. Concerned Minister. *
	2. Rs. 25,001 to Rs. 50,000.	2. Minitser in-charge of Finance.
	3. Rs. 50,001 to Rs. 1,00,000.	3. Chief Minister.
5. Committee constituted by Government—		
(i) Recurring ..	1. Rs. 3,001 to Rs. 5,000 ..	1. Concerned Minister. *
	2. Rs. 3,001 to Rs. 5,000.	2. Minister in-charge of Finance.
	3. Rs. 5,001 to Rs. 10,000 ..	3. Chief Minister.
(ii) Non-recurring ..	1. Rs. 10,001 to Rs. 20,000.	1. Concerned Minister. *
	2. Rs. 10,001 to Rs. 20,000.	2. Minister in-charge of Finance.
	3. Rs. 20,001 to Rs. 30,000	3. Chief Minister.
6. Grants-in-aid and Contributions—		
(i) Recurring ..	1. Rs. 5,001 to Rs. 10,000 ..	1. Concerned Minister. *
	2. Rs. 10,001 to Rs. 20,000.	2. Minister in-charge of Finance.
	3. Rs. 20,001 to Rs. 35,000.	3. Chief Minister.
(ii) Non-recurring ..	1. Rs. 15,001 to Rs. 25,000.	1. Concerned Minister. *
	2. Rs. 25,001 to Rs. 50,000.	2. Minister in-charge of Finance.
	3. Rs. 50,001 to Rs. 1,00,000.	3. Chief Minister.

* Where Finance Department does not agree or where Finance specifically asks for reference to the Minister in-charge of Finance, circulation to the Minister in-charge of Finance shall be obligatory in all cases.

Serial number and items of expenditure.	*Monetary limits.*	*Circulation up to.*
(1)	(2)	(3)
7. Grants-in-aid and Contribution, the like of which has not been voted in the past— Recurring and non-recurring.	1. Rs. 5,001 to Rs. 10,000 .. 2. Rs. 10,001 to Rs. 20,000. 3. Rs. 20,001 to Rs. 35,000.	1. Concerned Minister. * 2. Minister in-charge of Finance. 3. Chief Minister.
8. Revision of Scales of Pay and Allowances.	1. Upto Rs. 5,000 .. .. 2. Rs. 5,001 to Rs. 10,000. .. 3. Rs. 10,001 to Rs. 2,00,000.	1. Concerned Minister. * 2. Minister in-charge of Finance. 3. Chief Minister.
9. Experiments, Investigations and Demonstrations—		
(i) Recurring ..	1. Rs. 5,001 to Rs. 25,000 .. 2. Rs. 25,001 to Rs. 50,000. 3. Rs. 50,001 to Rs. 75,000.	1. Concerned Minister. * 2. Minister in-charge of Finance. 3. Chief Minister.
(ii) Non-recurring ..	1. Rs. 10,001 to Rs. 50,000. 2. Rs. 50,001 to Rs. 1,00,000. 3. Rs. 1,00,001 to Rs. 1,50,000	1. Concerned Minister. * 2 Minister in-charge of Finance. 3. Chief Minister.
10. Loans to Government Companies, Local Funds, and Private Parties.	1. Expenditure exceeding the Budget provision up to Rs. 5 lakhs or 10 per cent of the Budget provision which ever is less. 2. Ways and Means Advances to Local Boides, Government Companies, and Co-operative Institutions, etc., need not be treated as "New Service" nor covered by an advance from the Contingency Fund.	1. Concerned Minister Minister in-charge of Finance/Chief Minister. 2. Minister concerned—Minister in-charge of Finance and Chief Minister should *see* if Finance Department asks for it. These cases should be brought to the notice of the Legislature through Supplementary Estimates in the next session.

* Where Finance Department does not agree or where Finance specifically asks for reference to the Minister in-charge of Finance, circulation to the Minister in-charge of Finance shall be obligatory in all cases.

Serial number and items of expenditure.	*Monetary limits.*	*Circulation up to*
(1)	(2)	(3)
11. Additional Investment in Government Companies/Additional Investments in Departmental Undertakings—		
(i) Existing Government company with the paid-up capital of Rs. 1 crore and below.	1. Upto Rs. 1,00,000 ..	1. Minister concerned and Minister in-charge of Finance.
	2. Rs. 1,00,001 to Rs. 2,00,000 ..	2. Chief Minister.
(ii) Existing Government Company with the paid up capital of more than Rs. 1 crore	1. Up to Rs. 2,00,000 ..	1. Minister concerned and Minister in-charge of Finance.
	2. Rs. 2,00,001 to Rs. 5,00,000 ..	2. Chief Minister.
(iii) Additional Investment in an existing Departmental undertaking.	1. Up to Rs. 5,00,000 ..	1. Minister concerned and Minister in-charge of Finance.
	2. Rs.5,00,001 to Rs. 10,00,000	2. Chief Minister.
	(Formation of a new Company and investment by Government in it for the first time may be circulated to Minister in-charge of Finance and Chief Minister in addition to the concerned Minister.)	
12. Additional investments in the existing Private Sector Companies and Private Institutions by Government—		
(i) Paid-up capital of Rs. 1 crore and below.	1. Up to Rs. 25,000 ..	1. Minister concerned and Minister in-charge of Finance.
	2. Rs. 25,001 to Rs. 2,00,000.	2. Chief Minister.
(ii) Paid-up capital of more than Rs. 1 crore.	1. Up to Rs. 30,000 ..	1. Minister concernd and Minister in-charge of Finance.
	2. Rs. 2,001 to Rs. 5,00,000.	2. Chief Minister.
	(Investments by Government in a private company for the first time may be circulated to the Minister in-charge of Finance and Chief Minister in addition to the concerned Minister.)	

Serial number and items of expenditure.	*Monetary limits.*	*Circulation up to.*
(1)	(2)	(3)
13 Subsidy in concessional sales, such as sale of raw materials to private Institutions and sale of Pesticides, Agricultural Implements, etc.—		
(i) Additional Subsidy passed on to Public.	1. Up to Rs. 1,00,000 ..	1. Concerned Minister and Minister in-charge of Finance.
	2. Rs. 1,00,001 to Rs. 2,00,000.	2. Minister in-charge of Finance/Chief Minister.
(ii) Additional Subsidy passed on to Institutions.	1. Upto Rs. 50,000	1. Concerned Minister/Minister in-charge of Finance.
	2. Rs. 50,001 to Rs. 1,00,000.	2. Chief Minister.

NOTES.—(i) If a question of policy is involved in any case, the administrative department concerned should decide in accordance with the instructions in the Business Rules whether the order of the Cabinets should be obtained.

(ii) The Finance Department will ask for circulation to the Minister in-charge of Finance in any case if the expenditure is important or of an unusual nature or involves any new principle or policy.

176. Under the Constitution of India, expenditure on a "New, Service" or "New Instrument of Service" sanctioned in the course of a financial year cannot be incurred until the approval of the Legislature is specifically obtained by including provision, whether substantive or token in a supplementary statement of expenditure presented to the Legislature and eventually in an Appropriation Act. However, if the scheme is so extremely urgent that its introduction cannot be delayed, the expenditure on the scheme will be met initially by an advance taken from the Tamil Nadu Contingency Fund pending approval of the Legislature. In such cases, the order sanctioning the scheme will specifically state that the expenditure which will be debited to the appropriate heads of account will be initially met by an advance from the Contingency Fund and that orders in this regard will be issued separately from the Finance Department on receipt of necessary application from the Heads of Department in the prescribed form indicating the probable amount required to be sanctioned from the Contingency Fund. A copy of the order as soon as it is issued together with information as to the cost likely to be incurred in the current year should be sent to the Finance Department for sanctioning the advance from the Contingency Fund. Care should be taken to see that the expenditure on each scheme does not exceed the amount of Contingency Fund advance sanctioned to it.

177. All schemes of new expenditure sanctioned as "New Service" or "New Instrument of Service" for introduction in the course of a year should be placed before the Legislature, at the earliest opportunity by presenting a supplementary estimate for the amount required for expenditure on them during the year. Where it is not immediately possible to estimate the additional appropriation required with reference to the progress of expenditure and the probable savings in respect of the relevant grant as a whole, a supplementary estimate for a token grant may be presented to the Legislature. In all cases, the full financial implications on the scheme should be explained in the explanatory note accompanying the supplementary estimates.

CHAPTER XI.

BUDGETARY IRREGULARITIES.

178. A list of budgetary irregularities likely to arise is given below. The list is only illustrative and not exhaustive :—

(i) Excess expenditure over a grant voted by the Legislative Assembly or over a charged appropriation ;

(ii) Defective or inaccurate budgeting, necessitating large surrenders or resulting in excesses ;

(iii) Defective control of expenditure resulting in—

(*a*) unnecessary or excessive supplementary grants ;

(*b*) unnecessary or excessive re-appropriations ;

(*c*) injudicious re-appropriations and surrenders causing excess over allotments ;

(*d*) unspent and unsurrendered appropriations ;

(*e*) unremedied or uncovered excesses ; and

(*f*) late allotments ;

(iv) Misclassification of expenditure ;

(v) Re-appropriations which are not made in accordance with the rules in this Manual or which have the effect of increasing expenditure on an item the provision for which has been specifically reduced by a vote of the Legislative Assembly ;

(vi) Expenditure on a "New Service" or "New Instrument of Service" not covered by a vote of the Legislative Assembly, unless the requisite funds have been arranged by obtaining an advance from the Contingency Fund before incurring expenditure ;

(vii) Expenditure incurred without allotment of funds ;

(viii) Expenditure incurred without proper sanction or in anticipation of sanction of the competent authority ;

(ix) Drawal from treasury of moneys not required for immediate use ;

(x) Abandonment of revenue without proper sanction; and

(xi) Any large claim against Government, local body or other outside party allowed to remain outstanding for an unduly long time.

179. (*a*) The several budgetary irregularities arise mainly due to lack of proper control of expenditure, lack of an information system on which proper budget can be formulated, and lack of co-ordination between the different departments responsible for the execution of a scheme and the misclassification of expenditure which arise out of a lack of continuous and careful watch of expenditure throughout the year. For a proper control of expenditure, several registers have been prescribed for maintenance by the Disbursing Officers, Subordinate Controlling Officers and Chief Controlling Officers. These registers should be maintained properly and correctly. The Chief Controlling Officers should see that monthly reconciliation of figures with those of the Accountant-General and the Data Processing Centre is completed in time.

(*b*) To avoid misclassification of expenditure, the Disbursing Officers shall write in every bill the *correct and full classification* before presenting it at the Treasury.

CHAPTER XII.

APPROPRIATION ACCOUNTS, FINANCE ACCOUNTS AND AUDIT REPORT.

180. In accordance with the provision of the Constitution, the Comptroller and Auditor-General prepares the Finance Accounts of the Government each year as also the Appropriation Accounts indicating the total amounts of grant/appropriation as contained in the Schedules to the Appropriation Acts, the actual expenditure and the variations under the several grants/appropriation. The accounts are prepared by the Accountant-General on behalf of the Comptroller and Auditor-General of India and are signed by the Comptroller and Auditor-General of India. Besides, the Report of the Comptroller and Auditor-General of India dealing with the points arising out of these Accounts and other irregularities noticed in the course of audit of financial transactions of the Government is also prepared by the Accountant-General each year and is countersigned by the Comptroller and Auditor-General of India.

181. The Appropriation Accounts of each grant/appropriation indicate the original grant/appropriation, additional funds provided during the year by supplementary grant/appropriation, the expenditure incurred, saving or excess and the amount surrendered during the year. As the grants/appropriations are for the gross amount required for expenditure, the expenditure figures shown against them do not include recoveries which are adjusted in the accounts as reduction of expenditure.—

(i) This is followed by "Notes and Comments" which will bring to the notice of the Legislature (giving relevant particulars of the group heads) excesses over grants/appropriations requiring regularisation expenditure booked against the grant/appropriation but not really debitable to it, expenditure incurred on a "New Service" without specific authority of the Legislature, unjustified or excessive provision of funds leading to large savings and lapses and also cases of defective control over expenditure, e.g., excessive, irregular or unjustified reappropriations or surrenders within the grant/appropriation. If a part of the expenditure under a grant is met from special funds, deposit accounts, grants made by outside bodies, etc., brief notes indicating the nature of the funds and the summary of the transactions pertaining to the year are also included.

(ii) The Finance Accounts present the receipts and outgoings of the Government for the year. The figures of actuals shown in these accounts are net after taking into account the recoveries. They present

the accounts of the transactions under Consolidated Fund, Contingency Fund and the Public Accounts and the accounts of the assets and liabilities of Government such as Debt and Loans and Advances by Government. Information regarding guarantees given by Government, investments of Government, etc., is also given in this compilation.

(iii) The Report of the Comptroller and Auditor-General of India mainly relates to matters arising from the Appropriation Accounts and Finance Accounts of the year together with other points arising from the audit of the financial transactions of Government. It includes points of interest noticed in the Audit of 'Receipts', accounts of Government Trading Activities, Stores and Stock Accounts, etc. Ordinarily the financial irregularities, losses, etc., included in the report relate to cases which came to the notice of audit during the year as well as those which had come to notice in earlier years but could not be dealt with in earlier reports; matters relating to the period subsequent to the period under report are also included, wherever considered necessary.

182. (*a*) All Heads of Departments and Chief Controlling Officers should keep ready the explanation for all variations between the original and final grant and between the final grant and actual expenditure, so that the draft appropriation accounts sent to them by the Accountant-General may be returned to him within a fortnight of its receipt after due scrutiny of the figures and with the explanations required. It should be noted that explanations have to be furnished to the Accountant-General for variation in *all cases, irrespective of the amount involved* though most of them may not be finally incorporated in the appropriation accounts.

(*b*) The following further instructions should also be carefully observed by all Heads of Departments and Chief Controlling Officers—

(i) Explanations for variations should be concise, accurate and fully informative and should contain information as to whether the variation was inevitable and whether it could not be foreseen.

(ii) Vaguely worded phrases such as "original provision proved insufficient or excessive", "based on progress of actuals, etc." should be avoided.

(iii) It should be specifically stated why the original provision proved insufficient or excessive and how and why the actuals varied from the estimates.

(iv) In cases where the variations are due to transactions adjusted or adjustable by other Accounts Officers in respect of supplies received from other Governments, etc., the circumstances in which the liaison between the indenting and supplying departments could not secure adequate control of expenditure should be stated.

(v) The explanations should clearly specify the schemes, projects, etc., which remained unexecuted and accounted for the savings, together with the reasons therefor, e.g., non-receipt of sanctions, stores, etc., or the schemes or other objects which were taken up with no allotment or inadequate provision of funds as the case may be and also indicate why the savings/excesses could not be anticipated in time and the savings surrendered/the excess regularised before the close of the year.

(vi) If the variation is due to more than one cause, the amount due to each cause should be stated. Variations mentioned by the Accountant-General in the audit report will ordinarily be considered by the Committee on Public Accounts, which will make such recommendations as it may deem necessary, after considering the administrative departments' notes based on the explanations of the Chief Controlling Officers for the variations. The explanations obtained by the administrative departments for the variations not considered by the Public Accounts Committee should be forwarded with the administrative departments' remarks to the Finance Department, which will request the administrative department, when necessary, to draw the attention of the Controlling Officer concerned to any instance of defective budgeting or control of expenditure in order that it may not be repeated.

183. (i) The draft of a paragraph proposed for inclusion in the Report of the Comptroller and Auditor-General of India is forwarded by the Accountant-General to the Secretary to Government with a copy to the Head of the Department concerned with a demi-official letter so as to ensure that the irregularity commented upon is brought to the personal notice of the officers who will have to appear as witnesses before the Public Accounts Committee when the Report of the Comptroller and Auditor-General of India is taken up for consideration. The officer concerned should verify the correctness of the facts contained therein and communicate the result of the verification to the Accountant-General within six weeks from the date of receipt of the draft.

(ii) The reply to the audit paragraph should be sent after examining all the aspects of the cases and after getting the specific approval of the Secretary to Government or the Head of the Department concerned. The officers should collect all the facts which have a direct or indirect bearing on the irregularity commented upon in the draft paragraph and see that the facts and figures mentioned in the audit

paragraph are correct. If the draft paragraph proposed by the Accountant-General requires modification so as to bring forth the full facts of the case, they should indicate this in their replies. The reply to the draft paragraph should be sent in a demi-official letter from the officer to whom it was referred by the Accountant-General for verification. This will ensure that the reply is sent by the proper authority after careful examination of all the aspects of the case. In case a final reply to the draft paragraph cannot be given within the limit of six weeks referred to above, an interim reply should be given indicating the time by which the final reply can be sent. In any case, the final reply should be sent within three months from the date of receipt of the draft paragraph. Every effort should, however, be made to send the replies within the time-limit of six weeks, since the Accountant-General includes in the Final Report of the Comptroller and Auditor-General of India paragraphs for which this period of six weeks has elapsed.

(iii) To ensure prompt replies to draft paragraphs received from audit, Secretaries to Government and Heads of Departments may open a separate register to note the date of receipt of the audit paragraphs and also the date of reply to Audit. The register should be personally verified by the officers on the first working day of each month.

(iv) A draft paragraph forwarded to the Secretary to Government for verification will normally find a place in the Report of the Comptroller and Auditor-General of India which will be placed on the Table of the Legislature. The Report of the Comptroller and Auditor-General of India so placed will be examined by the Public Accounts Committee and the concerned Secretaries to Government should appear as witnesses before the Committee when it examines the particular paragraph in the Report of the Comptroller and Auditor-General of India. There will be a time lag ranging from six months to one year between the date on which the draft paragraph is forwarded by the Accountant-General for verification and the date on which the particular paragraph is taken up for consideration by the Public Accounts Committee. Usually, the Public Accounts Committee examines whether at least after the receipt of the draft paragraph, the irregularity commented upon in the audit paragraph has been rectified wherever possible, whether adequate steps have been taken to see that such irregularities do not recur and also in cases of loss to Government whether necessary action has been taken to recoup the loss and prevent such losses in future. If the Secretary to Government and the Head of the Department concerned take prompt action immediately on receipt of the draft paragraph to rectify the defects and to proceed against the officers responsible to make good the losses incurred by the Government due to their negligence and also issue detailed instructions for the avoidance of repetition of such irregularities, it should be possible to satisfy the Committee that

the irregularity has since been rectified and that action has also been taken to avoid a recurrence of such things in future. Hence Departments of Secretariat and the Heads of the Departments, should on receipt of draft paragraph, examine, among other things, the following aspects and take suitable remedial measure. immediately—

(1) Whether the irregularity committed was due to negligence or culpability on the part of any Government servant (if so, suitable action should be initiated against him).

(2) Whether there was lack of proper instructions or defect in the organisational set up and if so, steps taken to rectify the defects.

(3) If there was loss to the Government, the responsibility for the same should be fixed and steps taken to recover the loss.

(4) If the irregularity committed was due to lack of proper supervision or ambiguity in the rules, steps should be taken to enforce adequate supervision or to amend the rules.

All possible ways should be thought of to prevent a recurrence of such an irregularity and also to make amendments for the irregularity committed.

184. On receipt of the authenticated copies of the Appropriation and Finance accounts and the Report of the Comptroller and Auditor-General of India thereon in terms of Article 151 (2) of the Constitution, the Finance Department will obtain the orders of the Governor for laying the copies before the Legislature and then move the Legislative Assembly Department to arrange for the item relating to the laying of these documents before the Houses of the Legislature being included in the agenda of business of the Houses.

185. (i) After the Appropriation Accounts, Finance Accounts and the Report of the Comptroller and Auditor-General of India there on are laid on the table of the House, they shall stand referred to the Committee on Public Accounts for examination and report.

(ii) If they are received by the Assembly Department at a time when the Assembly is not in session, then these may be referred to the Committee on Public Accounts by order of the Speaker.

186. The Committee on Public Accounts is a Committee of the Legislative Assembly and is constituted under the Tamil Nadu Legislative Assembly Rules. The constitution and functions of this Committee are described in Chapter XIV.

187. If any money has been spent on any service during the financial year in excess of the amount granted by the Houses for

that purpose or in excess of charged appropriation authorised earlier, the Committee shall examine with reference to the facts of each case the circumstances leading to such an excess and make such recommendations as it may deem fit.

188. Excesses over total final appropriation under the several grants, whether in the charged or in the voted section as recommended by the Public Accounts Committee should be included in statement of excess expenditure which will be presented to the Legislature as described in Section VI of Chapter IX.

CHAPTER XIII.

COMMITTEE ON ESTIMATES.

189. The Committee on Estimates is a Committee constituted by the Legislative Assembly for the examination of such of the estimates as may deem fit by the Committee or are specifically referred to it by the House. The constitution and the functions of the Committee are regulated by the Tamil Nadu Legislative Assembly Rules as may be in force from time to time.

190. The functions of the Committee, as stated in the rules in force at present, are–

(*a*) to report what economies, improvements in organisation, efficiency or administrative reform, consistent with the policy underlying the estimates may be effected ;

(*b*) to suggest alternative policies in order to bring about efficiency and economy in administration ;

(*c*) to examine whether the money is well laidout within the limits of the policy implied in the estimate ; and

(*d*) to suggest the form in which the estimate shall be presented to the Legislature.

191. (*a*) The Committee shall consist of twenty-one members in addition to the Finance Minister and the Chairman of the Committee on Public Accounts, who shall be members ex-officio, of whom, not more than sixteen members shall be elected by the Assembly from among its members according to the principal of proportional representation by means of single transferable vote and not more than five members shall be appointed by the Council from among its members.

(*b*) The term of office of the Members of the Committee shall not exceed one year, and there shall be fresh election before the end of the year for constituting a Committee for the ensuing year : and if under any circumstances such an election is not held, the existing members of the Committee will continue to hold office until new members are elected.

(c) Casual vacancies shall be filled as soon as possible after they occur in the manner prescribed in paragraph 191 (a) and any person elected to fill such a vacancy shall hold office for so long as the person in whose place he is elected would have held office.

192. The Chairman of the Committee shall be nominated by the Speaker from amongst the members of the Committee. The person so nominated shall preside at the meetings of the Committee and in his absence, one of the members of the Committee elected by the Committee shall preside.

193. The sitting of the Committee shall be held on such days and at such hour as the Chairman of the Committee may fix, provided that if the Chairman of the Committee is not readily available, the Secretary may fix the date and time of a sitting.

194. (a) The Committee may, if it thinks fit, make available to the Government any completed part of its report before presentation to the Assembly. Such reports shall be treated as confidential until presented to the Assembly.

(b) The Committee may hear officials or take evidence connected with the estimates under examination. It shall be in the discretion of the Committee to treat any evidence tenareed before it as secret of confidential.

(c) For purposes of paragraph 194 (b) the Committee shall have power to require the attendance of the persons or the production of records and documents: provided that Government may decline to produce a document on the ground that its disclosure would not be in the public interest.

195. The Committee may continue its examination of the estimates throughout the financial year and report to the House from time to time as its examination proceeds. It shall not be incumbent on the Committee to examine the entire estimates of any one year. The demands for grants may be voted upon notwithstanding the fact that the committee has made no report.

196. The department or departments whose estimates are to be examined by the Committee will be requested by the Secretary of the Legislative Assembly Department who is also the Secretary to the

Committee to furnish necessary material in support of the estimates for the information of the Committee. The form in which the material is to be furnished to the Committee shall be as follows :–

(i) The organisation of the department and its attached and subordinate offices. (The information should be shown in the form of a diagram supported by short explanatory notes.)

(ii) The functions of the department and its attched and subordinate offices.

(iii) Broad details on which the estimates are based.

(iv) Volume of work in the department and its attached and subordinate offices covering the period of estimates and giving, for the purpose of comparison, corresponding figures of the past three years.

(v) Schemes or projects which the department has undertaken. (The name and details of the scheme, the estimates of expenditure, period within which likely to be completed, yield, if any, progress made to date, should be stated.)

(vi) Actual expenditure incurred under each sub-head of estimates during the preceeding three years.

(vii) Reasons for variations, if any, between the actuals of the past years and current estimates.

(viii) Reports, if any, issued by the department on its working.

(ix) Any other information that the Committee may call for, or the department may think it necessary or proper to give.

197. The department concerned will furnish thirty-five sets of papers, referred to in paragraph 196 to the Legislative Assembly Department for circulation to the Members of the Committee.

198. An advance copy of the Report of the Committee marked as "secret" will be sent to the department concerned for verification of factual details and for such action as may be necessary. The departments concerned shall treat the contents of the report as "secret" until it is presented to the Assembly.

199. The Chairman may make such factual changes in the draft reports as he may think fit on the basis of the changes intimated by the department concerned before the reports are presented to the Assembly.

200. The Chairman shall sign the reports on behalf of the Committee.

201. (*a*) The report of the Committee shall be presented to the House either by the Chairman or on his behalf by any other member of the Committee.

(*b*) Recommendations in the report of the Committee shall be taken into account in the Budget formulation within the overall provision.

CHAPTER XIV.

COMMITTEE ON PUBLIC ACCOUNTS.

202. The Committee on Public Accounts is a Committee of the Legislative Assembly for the examination of accounts showing the appropriation of sums granted by the House for the expenditure of the State Government, the annual finance accounts of the State Government and such other accounts laid beore the House as the Committee may think fit.

203. (i) The Committee shall consist of twenty-one members in addition to the Finance Minister and the Chairman of the Committee on Estimates, who shall be members ex-officio, of whom, not more than sixteen members shall be elected by the Assembly from among its members, according to the principle of proportional representation by means of the single transferable vote and not more than five members shall likewise be elected by the Council from among its members. The members elected by the Council shall be members of the Committee for all purposes except for voting.

(ii) The term of office of members shall not exceed one year. There shall be fresh election before the end of the year for constituting the Committee and if, under any circumstances such an election is not held, the existing members of the Committee will continue to hold office until the new members are elected.

(iii) Casual vacancies shall be filled as soon as possible after they occur in the manner prescribed in paragraph 203 (i) and any person elected to fill such vacancy shall hold office for so long as the person in whose place he is elected would have held office.

(iv) The Chairman of the Committee shall be nominated by the Speaker from amongst the members of the Committee. The person so nominated shall preside at the meetings of the Committee and in his absence of one of the members of the Committee elected by the Committee shall preside.

204. *Functions of the Committee.*—The Public Accounts Committee shall scrutinize the appropriation accounts of the State and the report of the Comptroller and Auditor-General of India, therein and satisfy itself—

(*a*) that the moneys shown in the accounts as having been disbursed were legally available for and applicable to service or purpose to which they have been applied or charged.

(*b*) that the expenditure conforms to the authority which governs it; and

(*c*) that every reappropriation has been made in accordance with such rules as may be prescribed by the Governor or by the Finance Department as the case may be.

The Committee shall bring to the notice of the Assembly—

(i) every case in which it is not so satisfied ; and

(ii) all expenditure which the Finance Department has requested should be brought to the notice of the Assembly.

It shall also be the duty of the Public Accounts Committee—

(*a*) to examine such trading, manufacturing and profit and loss accounts and balance sheets, as the Governor may have required to be prepared and the Comptroller and Auditor-General's report thereon;

(*b*) to consider the report of the Comptroller and Auditor-General in cases where the Governor may have required him to conduct an audit of any receipts or to examine the accounts of stores and stock ;

(*c*) if any money has been spent on any service during a financial year in excess of the amount granted by the House for that purpose, the Committee shall examine with reference to the facts of each case the circumstances leading to such an excess and make such recommendations as it may deem fit ; and

(*d*) the Community may, if it thinks fit, make available to Government any completed part of its report before presentation to the Assembly. Such reports shall be treated as confidential until presented to the Assembly.

205. The Committee shall have power to require the attendance of persons or the production of records and documents, if such a course is considered necessary for the discharge of its duties ; provided that Government may decline to produce a document on the ground that its disclosure would not be in the public interest.

206. The Committee will meet at such days and at such hour as the Chairman of the Committee may fix ; provided that if the Chairman of the Committee is not readily available, the Secretary may fix the date and time of a sitting. The Sectetary to the Legislative Assembly serves as Secretary to the Committee and he will intimate the time and place of each meeting and sent the agenda and connected papers to the members. Five members, including the Chairman, or the member presiding will constitute quorum for a meeting.

207. (*a*) On the basis of the Report of the Comptroller and Auditor-General of India laid on the Table of the House the Legislative Assembly Department prepares a memorandum of important points that will be taken up for consideration by the Public Accounts Committee and communicates it to the Departments of Secretariat. As the Public Accounts Committee can meet and examine the points only when complete replies are furnished by the Departments, the Secretaries to Government concerned should bestow their personal attention in the matter of furnishing replies to the Legislative Assembly Department to the points included in the ' Memorandum ' within one month at the latest.

(*b*) The Departments of Secretariat should prepare self-contained notes on all items to be dicussed by the Committee and submit them to the Secretaries concerned sufficiently in advance of the meeting. The Secretary to Government who is called upon to appear as a witness will no doubt study throughly all the papers and files connected with the subject including the original records relating to the case of the subordinate officers as well as the file in which the draft paragraph forwarded by the Accountant-General was examined and replied to. These records should be made available to the Secretary to Government at the time of examination by the Public Accounts Committee. A comprehensive note covering all aspects of the case should also be prepared indicating clearly the chronological order in which the Government took remedial action in the case. Whether a similar irregularity had found place in any of the earlier reports of the Comptroller and Auditor-General of India should also be verified and if there was such a case, the relevant papers relating to that case, the recommendations of the Public Accounts Committee on the subject and the action taken by the Government on the recommendations should be liked into and full information on this should be made available at the time of examination by the Committee. Replies by witnesses should be accurate and precise and the statement made before the Committee should be capable of being proved with reference to records. If information on any point raised by the Committee is not readily available, the fact should be intimated to the Committee and time for furnishing it asked for. Vague and generalised replies by witnesses and expressions of opinion and presumptions in replying to questions by the Committee should be avoided.

208. The Secretary to the Committee, the Secretary of the administrative department of the Secretariat concerned, and the Accountant-General or an officer deputed by him, will ordinarily attend every meeting of the Committee. It is open to the Committee to require also the presence of any head of a department or any other Government servant at particular meetings when subjects with which he is concerned are considered. The Accountant-General may be assisted by the gazetted officer of his office who investigated a particular case. The Accountant-General may offer suggestions on the points to be considered by the Committee.

209. (*a*) The recommenations of the Committee will be embodied in a report approved by the Committee and signed by the Chairman on behalf of the Committee. This report will be presented to the Legislative Assembly either by Chairman or on his behalf by any other member of the Committee. But the report will not be taken up for consideration by the House as a matter of course. If, however, on a later date there is any need for the House to consider the report, it will be taken up on a motion given notice of by any member. It will then be open to the Assembly to discuss the report and to make additional recommendations to the Government in connection with matters dealt within the report, if it so desires.

(*b*) Copies of the report will also be laid on the Table of the Legislative Council. The Legislative Assembly Secretariat will forward copies of the report of the committee and the recommendations of the Legislative Assembly thereon to the Accountant-General.

(*c*) Recommendations in the report of the Committee shall be taken into account in the budget formulation within the over-all provision.

210. Action to give effect to the recommendations of the Committee and of the Legislative Assembly will be taken by the departments concerned but the Legislative Assembly Secretariat is responsible to see that such action is taken. Action taken by the departments concerned on the recommendations of the Committee shall be communicated by them to the Assembly Secretariat, the Finance Department and the Accountant-General, Tamil Nadu.

211. A statement showing the action taken or proposed to be taken on the recommendations of the Committee by the various departments of the Government shall be prepared by the Assembly Secretariat in consultation with the Finance Department and shall be placed before the Committee. The Committee will examine the replies regarding the action taken and will report to the House in its next report whether it considers the action taken by the departments to be adequate or otherwise.

212. The Legislative Assembly Secretariat will bring up to date the "Epitome of the reports of the Committees on Public Accounts" at intervals ordinarily of five years.

213. The Accountant-General in his next and subsequent Appropriation Accounts and his reports thereon and the Comproller and Auditor General of India in his comments on those accounts may refer to the action which has been taken by the Government in respect of cases previously reported by him and may comment on the adequacy or otherwise of the action taken by the Government.

214. The procedure for dealing with the demands for excess grants has been described in Section VI of Chapter IX.

CHAPTER XV.

ESTIMATES FOR CENTRAL (AGENCY) SUBJECTS.

215. The following words and phrases, when used in this chapter will have the meaning hereby assigned to them unless the context otherwise requires :—

Administrative Department means an administrative department of the Government of Tamil Nadu.

Finance Department means the Finance Department of the Government of Tamil Nadu.

Government means the State Government of Tamil Nadu acting as Agent of the Central Government in the administration of functions entrusted to them in relation to Central subjects.

Primary Unit of Appropriation means a lumpsum of money placed by the Central Government at the disposal of the Government acting as Agent of the Central Government under some or all of the following heads, viz :—

(1) Salaries.

(2) Wages.

(3) Travel Expenses.

(4) Office Expenses.

(5) Payments for professional and special services.

(6) Rents, Rates and Taxes/Royalty.

(7) Publications.

(8) Advertising, Sales and Publicity Expenses.

(9) Grants-in-aid/Contributions/Subsidies.

(10) Scholarships and Stipends.

(11) Hospitality Expenses/Sumptuary Allowances, etc.

(12) Secret Service Expenditure.

(13) Major Works.

(14) Minor Works.

(15) Machinery and Equipment/Tools and Plant.

(16) Motor Vehicles.

(17) Maintenance.

(18) Investments/Loans.

(19) Materials and Supplies.

(20) Interest/Dividend.

(21) Pensions/Gratuities.

(22) Depreciation.

(23) Inter-Account Transfers.

(24) Writes-off/Losses.

(25) Suspense.

(26) Other Charges.

216. The Government administer at present, as the agent of the Central Government, the Central subjects specified in Appendix H in respect of functions relating to them in this State. The following is a summary of general instructions issued for the guidance of estimating officers and others in respect of estimates of revenue and expenditure relating to these subjects.

217. The estimates of revenue and expenditure in India should be prepared by the estimating officers in round thousands of rupees, and those of revenue and expenditure in England in multiples of Rs. 1,000 or £ 50. The estimates of expenditure should be prepared in two parts ; Part II should include all items of new expenditure which, under the procedure in this behalf prescribed by the Central Government have to be placed before the Standing Finance Committee of the Parliament and Part I, the rest of the estimates.

ESTIMATES OF REVENUE AND PART I—EXPENDITURE.

218. Except in the case of estimates relating to Public Works, the estimating officers mentioned in Appendix H will forward their estimates of revenue and of Part I—Expenditure to the Accountant-General. The Accountant-General will transmit these estimates with his remarks and also the estimates for which he is the estimating officer to the concerned administrative department and the Finance Department. The administrative department will forward the copy received by it with its remarks to the Finance Department. The estimates relating to Public Works will be sent by the Chief Engineer direct to the Public Works Department, which will refer them to the Accountant-General and send them to the Finance Department with the remarks of the Accountant-General.

The dates by which the estimates should reach the several authorities mentioned are given in Appendix H.

219. The Finance Department will return to the administrative department with its remarks, if any, the copy of the estimates received from the latter. The administrative department including the Finance Department when it is the administrative department, will communicate the Government's final orders on the estimates to the Accountant-General. The revenue estimates as approved by the Government will be included by the Accounant-General in the consolidated estimates which he sends to the Finance Ministry of the Central Government. The estimates relating to Part I—Expenditure as finally approved, will be forwarded by the administrative department to the concerned administrative Ministry of the Central Government by such date as may be prescribed by the latter for this purpose, except for the estimates under the head "266. Pensions and other Retirement Benefits" which will be sent by the Accountant-General to the Ministry of Finance, Government of India.

PART II—EXPENDITURE.

220. Proposals for new expenditure (Part II) should be submitted by estimating officers direct to the administrative department during the course of the year, as soon as the necessity for the expenditure comes to notice, without reserving them for a consolidated report at the time of the submission of the budget estimates for the ensuring year. They should be submitted not later than the date when the Part I—Estimates are forwarded to the Accountant-General unless a different date has been specifically prescribed in this behalf. The administrative department will, after examining the Part II—Estimates in consultation with the Finance Department, forward them with such modifications as may be decided upon to the concerned administrative Ministry of the Central Government.

COMMUNICATION OF THE FINAL ESTIMATES BY THE CENTRAL GOVERNMENT.

221. After the Budget is voted by the Parliament, the estimate sheets of expenditure, including new expenditure, if any, are forwarded by the Ministry of Finance of the Central Government to the Finance Department. The latter transmits the sheets to the administrative department concerned for communication to the estimating officers. The sheets relating to revenue heads are forwarded by the Central Government to the Accountant-General who communicates them to the estimating officers concerned.

CONTROL OF EXPENDITURE.

222. The allotment under each detailed head of appropriation such as salaries, wages, travel expenses, office expenses, etc., is ordinarily fixed by the Central Government as the primary unit of appropriation for purposes of financial control. But it is open to the Government to sub-divide the primary unit into secondary units, if this is considered necessary for the proper discharge of the agency functions. In the case of Public Works, for example the primary, unit "orignal works" has been sub-divided into the secondary units "major works" (the appropriation for each major work being a secondary unit) and "minor works" (the appropriation for the latter being a lump sum for all such works).

The sanctioned appropriation for a particular unit, primary or secondary, as the case may be, should not ordinarily be exceeded. Except in respect of items for which the Accountant-General is the controlling authority, viz., '065. Other Administrative Services', '212. President/Vice-President/Governor/Administrator of Union Territories', '265. Other Administrative services'; and '266. Pension and Other Retirement Benefits', the Government is responsible for seeing that the expenditure is kept within the sanctioned appropriation.

The estimating or other officers mentioned in Appendix J at whose disposal funds are placed should accordingly keep a constant watch over the progress of expenditure and have a correct idea of the liabilities still to be met. They may distribute the allotments to officers subordinate to them, but should require them similarly to watch the progress of expenditure and to keep the expenditure within the amounts distributed to them.

223. For the purpose of controlling the expenditure, i.e., to keep it within the sanctioned appropriation, the officer concerned will follow such procedure as is most convenient. The procedure indicated below should, however, be followed in respect of the heads mentioned :—

"261. *External affairs*".—Refugees and State Prisoners and Profession tax to the Corporation of Madras for the American Consular Offices in Madras—The expenditure will be watched by the Public Department with the aid of monthly statements of the actuals received from the Accountant-General.

"304. *Other General Economic Services—Regulation of Joint Stock Companies*".—In regard to expenditure under Joint Stock Companies, the Registrar of Joint Stock Companies will follow the instructions laid down for the control of State expenditure.

"259. *Public Works*".—In the case of the secondary unit "Original Works—Major Works", the Divisional Officer will be responsible that—

(i) no expenditure is incurred on any major work without a specific appropriation for it except in the case of unfinished work of the previous year which is likely to be completed in the budget year for Rs. 500 or less ;

(ii) the expenditure on each original major work is limited to the amount of the specific appropriations sanctioned for it, and the excess expenditure over such appropriation, unless the excess is Rs. 500 or under is covered at once by an additional allotment of funds ;

(iii) the total expenditure on all original major works of the division, under each unit of appropriation, does not exceed the total of the appropriations made therefor.

In respect of expenditure relating to the secondary unit "Minor Works" and other primary and secondary units the Divisional Officer will be responsible to see that the expenditure is kept within the appropriation for each unit placed at his disposal.

224. As soon as the accounts of a month are closed, the Accountant-General will furnish each controlling authority mentioned in Appendix J with a complete statement of his charges. In those cases in which departmental accounts are maintained, the controlling authority concerned will compare the figures in the departmental accounts with the figures of the Accountant-General and reconcile discrepancies, if any, by correspondance. If the controlling authority does not report any, discrepancy, the Accountant-General will assume that his figures are accepted.

225. *Surrender of savings.*—Where the expenditure under a unit is expected to be less than the authorized appropriation, the savings should be surrendered to the administrative department concerned *through the Accountant-General* immediately unless it is foreseen it is required to meet excess expenditure under some other unit or units which is definitely foreseen at the time. All savings will be surrendered by the concerned administrative department to the corresponding administrative Ministry of the Central Government by the dates prescribed for the purpose.

226. *Supplementary grants.*—Before an application is made for a supplementary grant to meet excess expenditure under a unit or units, it should first be examined whether the excess expenditure can be met from savings or by effecting special economies under other units. Normally the Central Government will not entertain an application for a supplementary grant unless the anticipated excess is due to a cause beyond the control of the authority concerned and funds cannot be found by any legitimate postponement of expenditure for which provision already exists. An application for supplementary grant should be submitted as soon as its necessity becomes apparent, accompanied by a full explanation of the reasons for the excess and of the impossibility of providing funds to meet it.

A supplementary grant should ordinarily be in respect of extra expenditure required for the normal activities of the department. Expenditure on a "New Service" in the technical sense, and on new items such as new buildings, new roads, etc., for which no provision exists in the budget, should be incurred in the middle of a year only in exceptional cases. The Central Government are averse as a general principle to admitting such expenditure during the course of a year. When however it is urgently necessary to incur such expenditure, the reasons why it was not provided for in the original budget and why cannot be postponed for consideration in connection with the next year's budget should be fully and clearly explained. Ordinarily, the Central Government will not agree to expenditure on a "New Service" or item in the course of a year which cannot be covered by savings or special economies within the grant unless it relates to a matter of real imperative necessity or is expected to result in an increase of revenue or is necessary for the safeguarding of existing revenue.

227. *Re-appropriation of funds.*—An officer of the Government has no power to sanction any re-appropriation out of funds placed at his disposal for a Central (agency) subject. The administrative department may re-appropriate funds from one primary unit to any other such unit, provided that—

(i) no re-appropriation is made from one grant to another;

(ii) funds allotted for charged expenditure are not re-appropriated to meet votable items or *vice versa*;

(iii) no re-appropriation is made to meet any expenditure which is likely to involve further outlay in a future financial year; and

(iv) no appropriation is made from a primary unit allotted under the head "Salaries" to a primary unit allotted under any other head.

CHAPTER XVI.

PERFORMANCE BUDGET.

228. The normal functions of the budget are to ensure accountability of the amount spent ; to serve as a financial plan for realising the objectives of the departments and thus serve as an instrument of Government policy. In the context of the large increase in the size and magnitude of Governmental activities over the past two decades, their increasing complexity and the consequent new role of Government in their management, modern methods and techniques of project and financial management have become necessary to ensure efficient utilisation of resources. In other words it has become far more important and essential that the budget serves as an instrument for taking decisions about the manner in which the resources could be used to attain the objectives of Government. The existing budgetary systems do not adequately enable the fulfilment of this purpose since they have a predominant bias towards a legal accountability interpreted in a somewhat narrower way. The developmental plans need a budgetary framework which lays emphasis on physical and financial targets, on the measurement of financial costs and benefits.

229. In the field of budgeting, the need has accordingly been felt for the system which will focus attention on what the Government is doing in terms of their programmes, activities and projects, their costs and quantitative data, reflecting planned tasks and their performance in both financial and physical terms. Recognising the deficiency of our present budgetary structure which fails to adequately link financial outlay to physical achievements, the Administrative Reforms Commission of the Government of India in its report on "Finance Accounts and Audit" had recommended that departments and organisations in direct charge of development programmes should introduce performance budgeting, a technique which has been hailed as the management's approach to budgeting and financial control.

230. *Performance Budgeting—Definition.*—The emphasis in performance budgeting is on accomplishments rather than on the means of accomplishments, on the precise definition of work to be done or service to be rendered rather than on details regarding money spent on the several items. A performance budget seeks to present the purposes and objectivesfor which funds are requested, the costs of various programmes and activities proposed for achieving these objectives and quantitative data measuring the work performed or services rendered or results accomplished under each programme and activity. In brief, performance budget is a comprehensive operational document, conceived, presented and implemented in terms of programmes, projects and activities, with their financial and physical aspects closely interwoven.

231. In the ordinary budget, hitherto, the classification of accounts was adopted to record the receipts and expenditure under different groups of heads and it aimed only to ensure accountability. In order to have a meaningful classification and presentation of Government operation in terms of functions, programmes and activities, etc., a revised objectwise classification of accounts has been adopted with effect from the budget for 1974-75. The objectwise classification provides a link between budget outlays on the one hand and functions programmes and schemes on the other hand and at the same time ensuring itemwise control of expenditure.

232. The main purposes sought to be achieved by performance budgeting are :—

(*a*) to correlate the physical and financial aspects of every programme, project or activity ;

(*b*) to improve budget formulation, review and decision making at all levels of operation in the Government machinery ;

(*c*) to facilitate better appreciation and review by the Legislature ;

(*d*) to make possible more effective performance audit ;

(*e*) to measure progress towards long term and short term objectives as envisaged in the plan ; and

(*f*) to bring annual budgets and annual plans together through a common language.

233. While the ordinary budget shows funds provided for different activities under different heads, the Performance Budget shows how much is provided for each activitiy, organised meaningfully. It enables us to understand the budget better.

234. The Performance Budget for each department is prepared essentially in three sections :—

(A) In the first instance the organisational structure and the broad set up of objectives that govern the work of the department are indicated.

(B) This is then followed by a "Financial Requirements Table", which is the most important part of the Performance Budget. Its three basic elements are :—

(i) A programme and activity classification indicating the range of work classified into meaningful categories ;

(ii) Objectwise classification showing the same amount distributed among the different objects of expenditure such as establishment charges, travel expenses, etc. ; and

(iii) Sources of financing indicating the budgetary heads under which the funds are being provided.

(C) The third section of the Performance Budget relates to the "Explanation of Financial Requirements". In this section, the programme of action under each activity is indicated with as much supporting physical data as is possible and relevant. The work transacted during the period and the targets of work for next year are brought out clearly in this section. Wherever possible, tabular statements showing the physical targets and past achievements are also given. In case of significant variations between Revised Estimates and Budget Estimates the reasons for such variations are also laid down.

235. Performance Budget is prepared in respect of the following departments presently by the concerned administrative department in the Secretariat :—

(i) Agriculture.

(ii) Animal Husbandry.

(iii) Backward Classes.

(iv) Cinchona.

(v) Collegiate Education.

(vi) Community Development.

(vii) Fisheries.

(viii) Forest.

(ix) Handlooms and Textiles.

(x) Harijan and Tribal Welfare.

(xi) Highways and Rural Works.

(xii) Industries.

(xiii) Irrigation and Ground Water.

(xiv) Medical Education.

(xv) Medical Services and Family Welfare.

(xvi) Public Health and Preventive Medicine.

(xvii) Public Works.

(xviii) School Education.

(xix) Social Welfare.

(xx) Technical Education.

INDEX

This index has been complied solely for the purpose of reference and no expression used in it should be taken as in any way interpreting the rules.

NOTE.—The references given are to paragraphs, unless otherwise indicated.

A

	PARAGRAPH
Abandonment of Existing Revenue	172 (P)
Accounts	17 (1)
Accountant-General adjustments	131
Administrative Approval	17 (2)
Administrative Reforms	190 (a)
Advance Grant	98
Agent of the Central Government	215
Ambiguity	183(4)
Annual Budget	8
Annual Finance Accounts	17 (37)
Annual Budget Estimates	17(g)
Annual Financial Statement	17 (3), 87 (ii), 2
Appropriation Act	12
Appropriation Accounts	17(5),180, 181
Appropriation Bill	12.90(iv)
Authorisation of Expenditure	14
Auditor, India Accounts in the United Kingdom	92
Audit of financial transactions	180
Authorised grants of appropriation	180

B

Based on actuals	151 (ii)
Based on Progress of expenditure	151 (ii)

B—*cont.* PARAGRAPH

Business Advisory Committee	93 (b)
Budget at a Glance	88
Budget Control	17 (e)
Budget Cost	5 (f)
Budget Deficit	17 (f)
Budget Estimates	17 (h)
Budget Estimates—Preparational	8 and 17 (7)
Budget Irregularities	178, 179 (a)
Budget Outlays	5
Budget Procedure	1
Budget Speech	87 (i)
Budget Surplus	17 (h)
Budget Voting	11

C

Cabinet	173 (b)
Capitalisation	4
Capital Outlay	5 (f)
Cash Credit Accommodation	17 (9)
Cash Settlement Suspense Account	46
Central Government's Estimates	16
Central Sector Schemes	17 (56)
Centrally-Sponsored	5 (e), III 143 (v)
Charged Appropriation	17 (i)
Charged Expenditure	7, 17 (ii)
Charges in England	17 (13), 35, 54, 63
Charged Section	143 (ii)
Chief Controlling Officers	17 (17) 113, 114, 121, 179 (a)
Chief Controlling Officers Register	129
Classification Structure	5
Commercial Budget	17 (7)(n)
Committee constituted by Government	175 (5)
Committee on Estimates	189 to 201
Committee on Public Accounts	15 186, 202
Commuted value of pension	4
Concrete assets	4
Concurrence of Finance	14
Consolidated Departmental Estimates	56 (c)

	PARA-GRAPH
Consolidated Fund of the State	3 (b) & 4
Contingency Funds	3 (c) (f), 181 (ii)
Contingent Staff	41
Controlling Officer	17 (17), 125
Control over Expenditure	117, 118, 119 & 120
Cost Benefit analysis	17 (18)
Council of Ministers	9, 84 (a)
Customs duty	47
Current assets	17 (19)
Current Liabilities	17 (20)

D

Data Processing Centre	8, 17 (24) 132 (b), 179 (a)
Debentures	17 (22)
Debt	4 (iii)
Decretal amount	17 (23), 47-A
Deduct-Refunds	27 (v)
Defective Budgetary	178 (ii)
Demands for Grants	10 (c), 17 (24), 86 (ii)
Departmental Estimate	17 (25)
Depreciation Reserve Fund	17 (38)
Deposit accounts	17 (26)
Detailed Budget Estimates	24, 86 (ii)
Detailed heads	5 (v),17 (28), 24
Disbursing Officer	17 (29), 121, 125, 179 (a)
Discount	17 (30)
Discounted cash flow	17 (31)
Divisions of Public Account	6
Draft of a paragraph	183 (i)

PARAGRAPH

E

Economy in Administration .. .. 190 (b)
Economy in Expenditure 30, 190
Economic Planning 17 (32)
Economic Services .. .. 52 (iii)
Estimating Officer 1,17, (34)
Exceptional Grants 13, 17 (35)
Excess Grant 17 (36)
Excess over allotments .. .. 178 (iii) (c)
Excess over total grant .. .. 120 (v)
Executive Government .. .. 3 (c)
Existing Modified Appropriation .. .. 17 (7) (j)
Explanation of Financial Requirements .. .. 234 (c)
Explanatory notes 25, 28, 40

F

Fiscal modified application .. .. 17 (7) (R), 48
Fiscal Services .. .. 5 (b) A
Finance Accounts .. .. 17 (37), 180, 181 (iii)
Finance Commissions .. .. 87 (m)
Finance Department 215
Final grant .. .. 182 (a)
Financial Outlay 227
Financial Requirements Table .. .. 231 (B)
Fixed Assets .. .. 17 (27) (iii)
Financial Year .. .. 17 (i)
Flexible Budget .. .. 17 (7) (m)
Fleet strength 45
Fluctuating nature .. .. 27 (iii)
Functions of Committee on Public Accounts 204
Funds 17 (38)

G

Gain by Exchange .. .. 58 (c)
General discussion .. .. 90 (ii)
Gross basis 19
Government Data Centre 17 (21)

PARAGRAPH

G—*cont.*

Government Data Processing Centre 25
Grants-in-aid .. .. 135 (c)
Grants-in-aid Contributors .. .. Note to Paragraph 5, I (iii), 27 (v)

H

Heads of Accounts 5
Head of Department 17 (46)
High Commissioner for India 47, 56, 69
Houses of the Legislature 2

I

Inaccurate Budgetary .. .. 178 (ii)
Industrial and Other Disputes Act 47-A
Injudicious reappropriation .. .. 178 (iii) (e)
Inter-Departmental adjustments 131
Introduction to Budget 88
Inter-work Suspense Clearance 43
Inventory Control 17 (41)

L

Legislative Assembly 6
Letter of Credit .. .. 17 (42) 137 (c)
Lumpsum Provision 34
Loans and Advances 4
Loss or gain by exchange 58
Leader of the House 93

M

Major Heads .. .. 5 (II) 174 (44), 24
Major Work 17 (45), 43
Marketable Securities 17 (38)
Material Character 4
Minor Heads .. .. 5 (III) 17 (47), 24
Minor Works 17, (48), 43
Management Information System 17 (46)
Memorandum of Association .. .. 17 (8) (d)
Misclassification of Expenditure .. .. 178 (vi)

PARAGRAPH

N

Natural Calamities Relief Fund 17 (38)
New Expenditure .. .. 9 (50) 23 (o), 30
New Instrument of Service .. .. 17, (50), 143 (ii), 153 (a) 155 (a) (ii) 169 (a) (ii), 176
Non-Plan .. .. 5 (e) (i), 143 (v)
Non-Statutory 17 (38)
New Service .. .. 17 (51), 153 (b) (2), 153 (c), 155 (a) (ii), 169 (a) (i), 176
Net basis 19
Non-tax Revenue .. .. 27 (v)
Numerical Strength of Officers and Establishments 38
New Scheme .. .. 153 (b)
Non-recurring .. .. 3 (c), 68
Non-recurring Grants .. .. 135 (d)
Notes and Comments .. .. 181 (i)
Number Statement 17 (52), 39

O

Office Expenses .. .. 42 (a)
Open Market Loans .. .. 87 (I)
Original Grant .. .. 182 (a)
Organisation of State .. .. 5 (b) (A)
Other Estimates 13
Outflow of Cash .. .. 17 (d)

P

Part I—Estimates .. .. 17 (53), 22 76 (B), 83
Part II —Estimates .. .. 17 (54), 26 65, 69, 76 (B), 83
Paid from Contingencies 41
Paid-up Capital .. .. 17 (8) (d), 172 (k)
Part II—Notes 69
Performance Budgeting .. .. 5 (a), 17 (7) (p), 228
Plan 17 (55)
Presentation of Budget to the Legislature 10, 90
Primary Units of Application .. .. 5 (g), 17 (56)
Primary Unit of Appropriation 215

PARAGRAPH

P—*cont.*

Productive in character	Note to paragraph 4
Programme Evaluation and Review Technique	17 (57)
Progressive actuals	17 (e)
Proportional representation	191 (a)
Public Accounts	181 (ii) & 3 (d)
Public Account Division	6
Public Accounts Committee	17 (51) 17 (67), 168
Public Debt	4

Q

Quantitative Statement	17 (7)
Quorum for a meeting	206

R

Reappropriation	17 (62)
Recipients	5 (c)
Recognised Policy	14 (a) (iii)
Reserve Bank of India	17 (7) (d)
Revised Estimate	17 (7) C, 17 (22), 52 (a)
Rolling Budget	17 (7) (m)
Recurring Charge	17 (63)
Remittances	3 (c), 17(64)
Report of the Accountant-General	17(64), 183 (i)
Revenue Account	4 (i)
Receipts in England	35
Recurring Expenditure	68
Reconciliation by Disbrusing, etc., Officers	128
Reconciliation of Loans and Advances	132 (c)
Recoverable expenditure	172 Chapter (i)
Redistribution	152
Remissions of Revenue	172 Chapter (iv)
Remittances	3 (d)
Reserve Funds	3 (d)
Revenue Receipts	27
Ripe for Presentation	84 (a)

PARAGRAPH

R—*cont.*

Revenue Section 173
Rural Welfare Scheme .. .. 172 Chapter (ii)
Rounding Off 20

S

Schemes financed by autonomous bodies .. .. 5 (e) (V) 143 (v)
Special Procedures for Public Works and Forest Departments .. 137
Special Welfare Fund 17 (7) (38)
State Plan .. .. 5 (c) (II) 143 (v)
State Schemes 17 (56)
Standing Finance Committee .. .. 67, 83, 173 (c), 175
Standing Object of expenditure .. .. 5 (v)
Social and Community Services .. .. 5 (b) (B)
Statutory Fund 17 (38)
Sub-Heads .. .. 5 (IV), 17 (69)
Sub-detailed heads .. .. 5 (v), 17 (68), 24
Subordinate Controlling Officer .. .. 121, 179 (a)
Subordinate Controlling Officer's Register 126
Standards of financial property .. .. 14 (iii), 120 (i)
Standing Sanction .. .. 9, 14 17 (7) (67), 76 (b)
Sub-Major Heads .. .. 5 (II), 17 (70)
Sugarcane cess 17 (38)
Sundry Creditors 17 (20)
Suspense 17 (72)
Supplementary estimates .. .. 47-A, 120(v)
Supplementary appropriations .. .. 140, 155(a)
Supplementary Statement of Expenditure .. .. 17 (51), 17 (72), 153 (b) (2)

T

Tamil Nadu Contingency Fund 176
Tamil Nadu Legislative Assembly Rules 186, 189
Tamil Nadu Natural Calamities Relief Fund .. .. 87 (e)
Tax Revenue .. .. 27 (v)
Technical sanction 17 (73)

T—*cont.*

	Paragraph
Treasury Bills ..	3 (b)
Tools and Plant ..	170 (a), 4

U

Unremedial Excesses ..	178(iii)(e)
Uncovered Excesses ..	178 (iii) (c)
Unprecedented Expenditure ..	3(c)
Urban Development Fund ..	17 (38)

V

Vest in Government ..	4
Vice Versa ..	225 (ii)
Village Establishments..	39
Vote of Accounts ..	17 (74), 98
Vote of Credit ..	17 (75)
Voted Expenditure ..	17 (76)
Vote on Account ..	105
Voting on Demands for grants ..	90 (iii), 95
Voted ..	2
Voted Section ..	143 (ii)

W

Ways and Means Advance ..	3 (b)
Write Back ..	4

Z

Zamindari Abolition Fund ..	87 (e)
Zero tax line budgeting ..	17 (77

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